

NEWS: EUROPE

Project is small but carries considerable symbolic importance

Conoco joint venture starts to pump oil from Russian field

By John Thornhill in Moscow

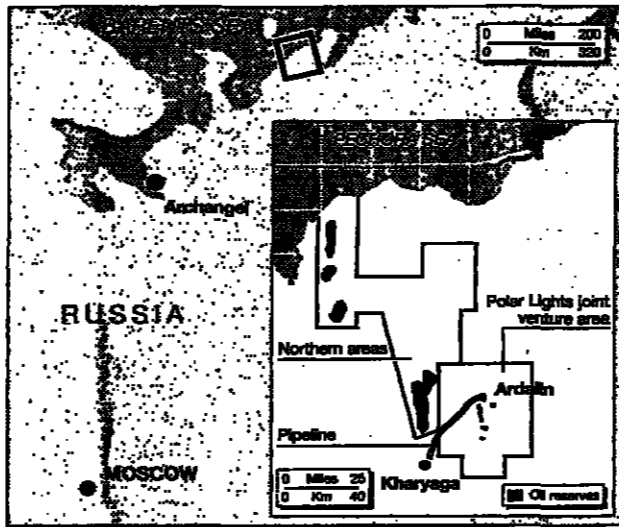
The Polar Lights joint venture between Conoco and Archangelgeologia, which started producing oil in the virgin tundra of northern Russia yesterday, is being hailed as a beacon of hope amid the gloom that shrouds the Russian oil industry.

When the Soviet Union fell apart, Conoco was just one of dozens of western oil companies which came to Russia with high hopes of breaking into what was the world's biggest crude oil and gas producer. Many other oilmen are now heading home disillusioned with the legislative and bureaucratic frustrations.

Conoco and Archangelgeologia have succeeded where others have failed largely through sheer persistence - and some useful political backing from Presidents Bill Clinton and Boris Yeltsin. Their Ardalin field is the first to be developed by a joint venture company and the partners hope to make a good return on their \$375m investment by selling the oil abroad.

Representatives of other western oil companies in Moscow suggest the achievement should not be underestimated nor should the deal's symbolism be ignored. But they stress, it is important to set the deal in context: the investment is relatively small; big risks remain.

By global industry standards, the Ardalin field, 1,000 miles northeast of Moscow, is minuscule, with peak production of 25,000 barrels a day expected by 1996. The exploration risks have also been slight. Russian geologists discovered oil reserves in the Timan Pechora basin years ago but did not exploit them as the central economic planners



directed resources towards western Siberia. Moreover, the field is relatively straightforward to exploit despite being located in the Arctic Circle.

While proud at what has been achieved to date, the cheery Mr Constantine Niconov, Conoco's president and chief executive, is realistic about what remains left to do. "Ardalin is interesting but we would not have come to Russia just to do this project. There are far bigger fields in the northern area waiting to be developed. You could be looking at another Alaska, a second Prudhoe Bay. Although there is not one individual field, the Timan Pechora region could produce about 500,000 barrels," he says.

Conoco is studying projects which would require a further \$50m of gross investment. Four other western companies, Amoco, Texaco and Exxon from the US, and Norsk Hydro from Norway, have also been co-operating on developing reserves in the same

Nenets region while Shell and Saga are also aiming to develop other fields nearby. The companies are studying whether it would be feasible to build an offshore terminal handling about 450,000 barrels a day at a cost of \$20m.

But before committing such sums, the companies say they need a change in Russian tax and business legislation. "Only when the legal system in this country changes, such that we can operate with confidence, can we be optimistic that we can develop this region," says one consortium member.

Even the Ardalin field could fall victim to the ever-changing legislative regime. The project's viability is dependent on the continuation of a temporary energy ministry waiver, specifically for the project, of the customary \$5 a barrel export tax. Polar Lights also relies on a precarious web of 10 interlocking contracts to sell oil abroad. Because Polar Lights does not yet have a direct pipeline to the west, it is

obliged to swap its oil with other Russian producers with access to western markets.

"We all had doubts about this arrangement and those doubts remain. The difficulties of getting oil to a western customer makes things very complicated," says Mr Anatoly Krasov, general director of Archangelgeologia.

The lack of route convertibility and the artificially low price of oil within Russia would ruin the project's economics if those export arrangements broke down.

Russian nationalists are also hostile to granting production licences to western companies. But the counter-argument is that Russia's economic self-interest will prevail.

Mr Krasov says his company and Russian federal and local governments will receive 70 per cent of the \$20m income the Ardalin field is expected to generate over the next 16 years. Without such income, he suggests, the Russian government cannot afford to develop the industry by itself. Already the government has delayed Roshin (33m at the market rate) of payments to Archangelgeologia, meaning many of its workers have not been paid. "The government should declare itself bankrupt," Mr Krasov says with grim humour.

That may leave an opportunity for western companies. Mr Niconov is certainly convinced of the possibility. "Russia is probably still the biggest oil and gas producer in the world," he says, "and to ignore it means you are not going to participate in a significant part of the global business. There are risks. But you can analyse these things to death and it will just be what it will be. All you can do is make your best judgment at the time."

E Europe on the road to easier travel

Slowly and without fanfare, a 20,000km motorway system linking the Baltic Sea with the Aegean and the Black Sea with the Adriatic is taking shape in eastern Europe.

If the planners' dreams come true, some day not too far distant cars and trucks will be able to speed along a virtually seamless highway from Gdansk to Gurbulak on Turkey's border with Iran and from Genoa to Constanta, Romania's Black Sea port.

The network is already a quarter complete; a quarter is under construction. Nearly 200km will be opened this year and a further 200km in 1995. The Trans-European Motorway (TEM) is matched by a similar network of designated international rail routes, the Trans-European Railway (TER), aimed at developing a coherent and efficient rail and combined transport system for eastern Europe.

Co-ordinating these grandiose schemes conceived well before the collapse of communism in 1989, is a reticent United Nations organisation, the Economic Commission for Europe. The Geneva-based ECE, whose 54 members span western and eastern Europe and North America, is responsible for 50 odd pan-European transport conventions, perhaps the best known being the TIR international lorry system.

Facing the dreadful state of their transport infrastructure, and the serious bottlenecks at western borders, has become an important priority for the governments of central and eastern Europe. Success in moving towards a market economy now depends on boosting exports, primarily to the west, while the tearing down of the Iron Curtain has vastly increased the numbers of people on the move.

Yet the region (excluding Russia) boasts just 5,000km of motorways, compared with more than 40,000km in western Europe, and most of the remaining road network is crumbling. Only a tiny fraction of rail lines meets standards commonplace in the west. Many are in disrepair, and countries have different technical and operating standards which make it difficult quickly to move goods across frontiers.

The severe recession in most of central and eastern Europe that followed the upheavals of 1989 led to big falls in traffic. But now the economic activity is picking up, for instance in Poland and the Czech Republic, the deficiencies of the creaking road and rail systems are becoming all too apparent.

At the same time, says Mr José Capel Ferrer, head of the ECE's transport division, the financial constraints on these countries are even tighter than before. Though some help has been promised by the west, notably through the European Union's Phare assistance programme, governments will have to find the bulk of the resources to improve transport infrastructures themselves.

Partly in the hope of maximising western aid, and partly because of the need to get priorities right, eastern European governments have assigned a

critical role to the TEM and TER projects. Both projects identify a "core" network of strategic modern transport links built and operated to common standards, as well as a staged plan of action to put them in place.

The TEM, covering eight eastern European nations, was originally launched in 1977 as a north-south motorway axis. The plan was rapidly recast after 1989 to include an extra 7,000km of east-west connections to carry the big increases expected in traffic volumes once economic recovery takes hold.

The short-term emphasis is now also on building to full motorway standard (costing \$3m-\$10m a kilometre), especially where traffic levels

A 20,000km network is spreading across the map, writes Frances Williams

do not yet justify it, and more on upgrading existing roads or building one motorway carriageway (to take two-way traffic), leaving the second for more prosperous times.

Financial constraints have propelled some countries to explore build-operate-transfer (BOT) schemes in which private companies finance construction and recompense themselves with tolls for a fixed period. With the bulk of the motorway network in western Europe complete, French, Italian and German companies are travelling hopefully for business in eastern Europe.

However, BOT plans have been bedevilled by arguments over terms, and contractors themselves have sometimes been discouraged by current low volumes of traffic.

Upgrading existing rail infrastructure and developing combined transport installations, envisaged by the 1985 TER plan, is proving even more difficult to fund than road-building. The 10 participant countries are now concentrating on tackling the most urgent problems, for instance, by relieving obvious bottlenecks.

The ECE is also laying stress not only on physical improvements to the rail network but on the need to change management attitudes. In the days of communism, long distance freight traffic was directed to the railways which carried, on average, two-thirds of all tonne-kilometres (against less than a fifth for western European countries).

Now, transport operators are free to use the roads which, even in their degraded state, offer quicker door-to-door deliveries. The result has been a dramatic decline in rail use.

To cope with the new situation, railway managers need to become more market oriented, exploit combined transport possibilities (road, rail and water) and simplify border procedures, the ECE says.



President Boris Yeltsin with Russian army officers at the formal military departure ceremony in Berlin yesterday

Greeks clasp hands over the Albanian border

The morning church service is usually well attended in the two villages of Derivisti and Kónitsa. The Orthodox ritual of burning candles within a gallery of saints, and the intoning priest with his beard and ponytail, give the villagers a strong sense of their Greek identity.

Their common beliefs and language appear to transcend the Albanian-Greek border separating the two communities. But, like elsewhere in the Balkans, the church is also an invisible hand which is fueling tension between Athens and Tirana over minority rights.

Derivisti and Kónitsa are small Greek villages, one in southern Albania, the other about 30km away in northern Greece. Both their economies are based on agriculture, forestry and remittances from emigrés, and both have famous priests.

In Derivisti, Fr Michailis Dakos, 77, was the first to conduct a public religious ceremony in Albania after 23 years of communist attempts to eradicate religion. He is now vigorously campaigning to improve the rights of the Greek minority in southern Albania. Two of his parishioners are among the five on trial in Tirana accused of working with Greek intelligence to encourage a secessionist movement in the south.

Like the Greek government, he thinks the trial is a set-up

aimed at discrediting ethnic Greek nationalism. His demands focus on better education and cultural activities, but his agenda is one of ethnic independence.

"We want to see better treatment for the 100,000 or so ethnic Greeks living in Albania," he says. "We want our own education facilities, freedom to teach our language and history, and closer co-operation with the mother country [Greece]."

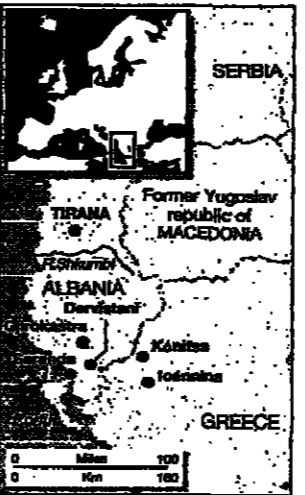
From Kónitsa, Bishop Sebastianos Economidis, 74, is trying to do just that. He runs a church-funded radio station called "The Voice of Orthodox Greeks" which, in the words of its manager, Fr Michailidis Epicharis, is aimed at "educating" the Greek community in south Albania. Every afternoon it broadcasts Greek programmes of history and culture "which the Albanian authorities have branded as 'dangerous propaganda'". The bishop has often been accused of calling for a Greek invasion of south Albania to liberate the minority, and during the court

case in Tirana, the state prosecutor has declared him *persona non grata*.

Priests and politics have become dangerously entwined in the southern Balkans. Last year, Fr Dakos's friend and colleague, Fr Chrysostomos Maledonis, was expelled by the Albanian authorities from Gjirokastra, the main town in the south, for his political activities which resulted in another wave of deportations of Albanians from Greece. As a result, many ordinary Albanians have become suspicious of men who have taken the cloth.

In theory, Albania's 3.6m population is 70 per cent Moslem, 20 per cent Orthodox, and 10 per cent Catholic. But as one ethnic Greek explained, the country has never been fanatical in its beliefs, and between 1957 and 1990 it was formally atheist. "Religion [in Albania] is imported," he says. "Most of us are not religious at all and it is often used as a cover."

With the fall of communism, the Greek Orthodox churches have taken on the issue of



minority rights and the question of secession for ethnic Greeks with passion. They have adopted a particular version of history to support their arguments which date as far back as the ancient kingdom of Epirus - an area which included both Derivisti and Kónitsa and where Pyrrhus had his base in classical times - and to the London Conference on the Balkans in 1912 when the Great Powers gave Greece the area of Northern Epirus up to the Shkumbin river, now in central Albania. Things started to go wrong, they say, in Paris when in 1921 the Powers changed their minds and re-drew Albania as

it is today. And then came the second world war and communism.

"After all this, it's only natural that our people over there turn to us for help," explains Mrs Epicharis at the radio station in Kónitsa.

While Greece continues to deport tens of thousands of non-Greek Albanians in anger at the trial in Tirana, visas are readily granted to the minority Greeks. Most of Derivisti's young men work in Greece and send remittances home. Churches in Greece are financing the rehabilitation of Fr Dakos's chapel which was used under the Communists as a fertiliser store. The people of Kónitsa and other towns send the Greek minority in Albania medical aid, buses, and educational materials and are promoting commercial links by exporting televisions, radios, refrigerators and importing hand-made furniture and building stone.

The problem facing the still young but democratically elected government in Albania is how far it can let these links develop. A close relationship is one thing, but autonomy in the south could spell disaster. Growing tensions between Athens and Tirana are already distracting them from the urgent need to rebuild the country's economic and political structures. And the more they clamp down on political activism, especially when it

concerns the church, the more the tension rises.

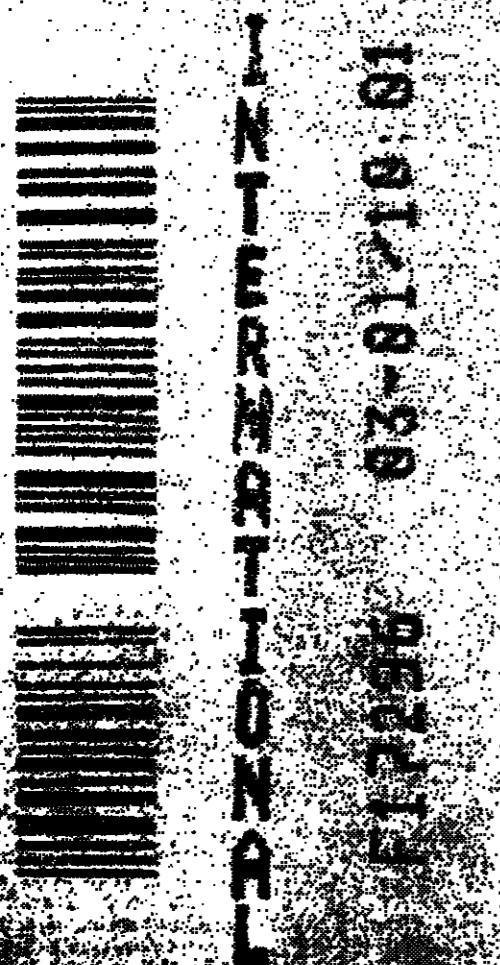
Mr Gantz Pella, an adviser to Albania's President, Sali Berisha, says: "The only way to resolve all this is through dialogue. Greece has so far rejected this way and we can only hope they will change their minds." While the politicians refuse to talk, many Albanians fear the church's voice will grow louder.

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenplatz 3,
60318 Frankfurt am Main, Germany.
Telephone: +49 69 156 130, Fax: +49
69 156 441, Telex: 416192. Registered
in Frankfurt by the Landesregister.
Walter J. Bruns, Colin A. Kennard as
Geschäftsführer and in London by
David C.M. Bell and Alan C. Miller.
Printer: DVM Druck-Vertrieb und
Marketing GmbH, Admire-Rosenweg
3a, 65525 Neu-Isenburg (near
Frankfurt). International ISSN: ISSN
0147-7565. Registered Editor: Richard
Lambert, 40 The Financial Times Ltd,
Southwark Bridge, London SE1 9PL.
The Company is incorporated under the
laws of England and Wales. Chairman:
D.C.M. Bell.

FRANCE: Publishing Director: D.
Good, 101 Rue de Rivoli, F-75004 Paris.
Code: 01. Telephone: (01) 4297-9221.
Fax: (01) 4297-9222. Printer: S.A. Mouton
Editeur, 1221 Rue de la Cour, F-91000
Evry. Code: 1. Editor: Richard Lambert.
ISSN: ISSN 1148-2733. Consolida-
tion Publisher: No 67800.
FINLAND: Published by The Financial Times (Finland)
Ltd, Viimäskatu 42A,
DE-1161, Copenhagen. Telephone: 33
13 44 41, Fax: 33 93 53 33.



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Jorgo Lito

EUROPEAN NEWS DIGEST

US to press Moldova plan

The American UN envoy, Ms Madeleine Albright, said yesterday that Washington was anxious to ensure that Russian troops leave Moldova and it was ready to act to encourage them to do so. Russia's 14th Army has been deployed in the breakaway Dnestr region of Moldova since Moldovan independence in 1991.

Earlier this month, Russia and Moldova finalised an agreement which stipulated the withdrawal of the 14th Army within three years. It is awaiting the approval of the Russian and Moldovan presidents. Mr Boris Yeltsin and Mr Mircea Snegur. Ms Albright said she had discussed the issue with Mr Snegur and the Moldovan foreign minister, Mr Mihail Popov. "We were discussing how the international community can be helpful in observing the departure of the 14th Army and what international approaches can help to keep the pressure on in order to make the army leave," she said.

She said she would urge Russian leaders, when in Moscow, to act without delay in withdrawing their forces from Moldova and other former Soviet republics. "This is not only good for the republics themselves, such as Moldova, but also for Russia in order to have peace on its borders and in its former republics," she said. Moldova is the only former Soviet republic where Moscow keeps its forces without a formal agreement on military bases or any other accord. Russia has signed such treaties with the Transcaucasian states of Georgia and Armenia as well as with the Central Asian republic of Tajikistan. *Reuter, Kishinev*

Dutch PM sets out priorities

The Dutch prime minister, Mr Wim Kok, yesterday promised "work, work and more work" from his new coalition government to tackle rising crime, build prosperity and launch a review of foreign policy.

Presenting his government programme to the Dutch parliament, Mr Kok responded to criticism that his new coalition, which excludes the Christian Democrats and joins the Labour, conservative Liberal, and reformist D66 parties, would prove fragile. The coalition has been dubbed "purple" because of the mix of the three parties' political colours. The government took 111 days to form after an inconclusive general election in May.

Mr Kok, former finance minister, inherits a sound economy emerging from a mild recession. As part of a modestly austere financial package, he has pledged funds to stimulate new jobs, financed by spending cuts.

Mr Kok warned that the cuts, aimed at health care, state pensions, higher education and child benefit, would mean "some painful measures". Foreign policy will be reviewed within two years, with a new emphasis on linking it to development co-operation. *Reuter, The Hague*

Doubts over Scharping pledge

Most Germans do not believe a campaign pledge by opposition leader Mr Rudolf Scharping to reject any pact with communists after October's general election, an opinion poll released yesterday showed.

The poll by the Allensbach Institute said 54 per cent of those surveyed said Mr Scharping, leader of the Social Democrats (SPD), would accept communist support if it was needed to become chancellor. Twenty-five per cent said they believed Mr Scharping, who insists he would reject any communist backing when a new parliament convenes. Even among SPD members, only 40 per cent believed Mr Scharping, while 33 per cent doubted his word and 22 per cent did not answer either way. The issue has dominated campaigning since the SPD in the eastern state of Saxony-Anhalt last month formed a minority state government based on tacit toleration from the Party of Democratic Socialism, the successors to East Germany's ruling Communist party. *Reuter, Bonn*

French unemployment falls

Further evidence of France's economic recovery emerged yesterday with the news that the level of unemployment fell slightly in July for the second month in succession. The number of people out of work in July fell by 10,800, or 0.3 per cent, from June, with the overall jobless total reaching 12.6 per cent, or 3.22m people, against 12.7 per cent for May. Rising unemployment has for the past four years been one of the toughest problems facing France.

The socialist government's failure to address the issue was a key factor behind its defeat in last year's parliamentary election and the recent reduction in the jobless figures has helped boost the popularity of Mr Edouard Balladur's centre-right administration this summer. Economists anticipate further reductions in the unemployment figures during the autumn and winter, albeit at a gradual pace, given that the rate of growth is expected to slow. *Alice Rawsthorn, Paris*

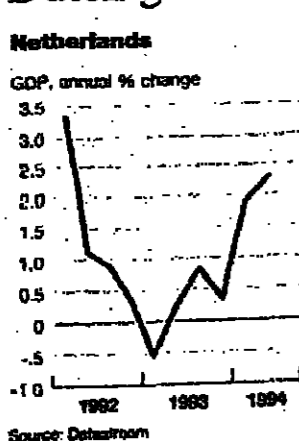
Survey reveals small-scale EU

Only 7 per cent of the 14m businesses in the European Union have more than nine employees, according to a study by Eurostat. Enterprises with less than nine employees account for around a third of EU employment and a quarter of the EU's €2410.50bn (\$3,368bn) annual turnover. Small businesses are particularly important in Italy and Spain where they form the backbone of the economy.

In Germany, France and Britain larger companies have a bigger share of employment. Only slightly more than 15 per cent of the Spanish workforce is employed in companies with 500 people or more, against 36 per cent in Germany. The survey, based on 1990 figures, which are the latest available, also shows that the four largest economies in the EU - those of Germany, the United Kingdom, France and Italy - account for 67 per cent of the 14m EU enterprises, and for 75 per cent of the 92m people employed in the EU. *Reuter, Brussels*

ECONOMIC WATCH

Dutch growth beats forecast



The private sector, the CBS said, while public sector growth was measured at a more moderate 1.5 per cent. The value of goods produced rose approximately 3 per cent. Stronger growth in the construction sector, including activities abroad, in the second quarter compensated for a decline in the first quarter. *Reuter, Voorburg*

Hungary's trade deficit widened to \$1.6bn (£1bn) in the first half of 1994, compared with \$1.53bn in the same period last year, the central bank said yesterday. The current account year, the central bank said, from \$1.83bn in the first half of 1993, deficit was \$1.96bn, up from \$1.83bn in August in an attempt to boost exports and keep the trade deficit for the year below \$3bn.

Greece's retail sales index rose 13 per cent year-on-year in May after a 21.4 per cent rise in April, the National Statistics Service said. The rise exceeded the 11 per cent year-on-year increase in the consumer price index in the same month.

Catalans and Socialists engage in political horse-trading

Spain seeks budget deal

By Tom Burns in Madrid

Mr Felipe González's minority Socialist government yesterday began the tortuous process of crafting an agreement on next year's budget with the main Catalan nationalist coalition, cautious of giving too much away on home rule and of irritating its own left wing with conservative policies.

The wary tone of the annual bout of horse-trading was underscored by Mr Miquel Roca, the chief budget negotiator for Catalonia's Convergència i Unió (CIU) centre-right coalition, who said an initial meeting with Mr Pedro Solbes, economy minister, had revealed "areas of agreement and of disagreement".

Mr Solbes' 1995 budget, due before parliament not later than September 30, requires the support of the 17 CIU deputies to pass through the legislature. The Catalan coalition backed last year's budget, following the Socialists' loss of their majority in the general election, after a concession



Pedro Solbes: starting annual budget horse-trading

allowing regional governments to control 15 per cent of the income taxes raised in their territories.

CIU, the main political grouping in wealthy Catalonia where it has a predominantly small business constituency, also brought the government round to spending cuts and to overhauling the rigid domestic

labour legislation. This year it has raised the stakes: it wants power sharing between Madrid and the regional executives over the distribution of European Union funds to Spain, and is seeking lower social security contributions by employers, as well as further easing of hiring and firing procedures. Officials are concerned that

the EU funds issue could be contested by other regions and fuel claims that the CIU is bent on gaining advantages for Catalan nationalism at the expense of the principle of national solidarity.

In Andalusia, Spain's most populous region where the Socialist party lost its majority in local elections in June, opposition parties joined forces in the regional parliament last month to reject the 15 per cent tax concession built into this year's budget.

They claimed it favoured Catalonia over poorer regions where fiscal revenues are much lower.

The Socialist party's left wing and the 18-strong Communist contingent in the Madrid parliament are meanwhile certain to oppose both cuts in social security contributions and increased deregulation of the labour laws.

These Catalan initiatives, however, are broadly backed by the conservative Partido Popular, the main opposition party.

Helmut Kohl's nominee moves into a top job in Brussels

German in EU hierarchy

By Lionel Barber in Brussels

Dr Jürgen Trunpf is hardly a household name. But today in Brussels, Mr Trunpf, formerly the top civil servant at the German foreign ministry in Bonn, moves into one of the most powerful jobs in the EU hierarchy.

The post of secretary-general of the European Council cannot compare with the president of the European Commission, a job which Mr Jacques Delors has transformed over the past 10 years into the public face of Europe. But its attractions are no less real.

The selection of Mr Trunpf reveals much about the discreet manner in which Germany prefers to wield influence in the EU: but it also reflects a shift in the balance of power away from the Commission to the Council and the European Parliament.

The secretary-general serves as chief adviser to the Council of Ministers, the leading decision-making body in Brussels; and as counsellor to the rotating EU presidency. Supported by a modest but slowly expanding secretariat, he is also a high-level diplomatic intermediary between the member states, particularly ahead of EU summits which set the broad direction and policy of the Union every six months.

In this capacity, the secretary-general serves as the guardian of the EU's institutional memory. He is charged

with reminding member states of the commitments and obligations which they have undertaken. Thus, what looks like an innocuous bureaucratic function is, in fact, a powerful constraint on the (often misplaced) ambitions of incoming EU presidencies and a guarantor of continuity in EU policy- and decision-making. "Used properly, the post of secretary-general can become the power behind the

throne," says one EU official. Under Mr Niels Erbsboll, Mr Trunpf's long-serving Danish predecessor, the influence of the Council secretariat expanded. Its legal team - headed by Mr Jean-Claude Pirié - was instrumental in drawing up the compromise which allowed Denmark to re-submit the Maastricht treaty to a second referendum after voters had thrown out the first version in June 1992. It also has a nascent foreign policy co-ordination unit headed by Mr Brian Crowe, a senior British diplomat.

The appointment of Mr Trunpf followed pressure from Chancellor Kohl who made it known in Brussels that Germany was under-represented at the highest levels of the EU's bureaucracy

ing prime minister of Luxembourg, who was nobody's first choice as Commission president. Mr Trunpf, 63, a classical philologist by training, studied in Athens in the mid-1950s. An avowed Anglophile, he entered the German foreign service in 1958 - the date when France, Germany, Benelux and Italy concluded the treaty of Rome which created the (then) European Commu-

man alliance. He understands public opinion in Germany to giving up the D-Mark in favour of a single European currency, but insists that Germany sticks to its treaty commitment.

The temporary crisis in Anglo-German relations in September 1992 caused by the forced withdrawal of sterling from the Exchange Rate Mechanism pained him. He was less than comfortable with the presentation of the Bundesbank's case against a premature lowering of German interest rates.

During his five-year term (which coincides with the respective terms of the new European Parliament and the Commission president), Mr Trunpf will deal the 1996 inter-governmental conference, as well as preparations for future EU membership for the east Europeans, Cyprus and Malta.

It is widely predicted that an expansion of the EU beyond its present planned membership of 16 will require a further dilution of national sovereignty, mainly through streamlined decision-making.

The appointment of Mr Trunpf followed pressure from Chancellor Kohl who made it known in Brussels that Germany was under-represented at the highest levels of the EU bureaucracy. Germany has also taken a close interest in the development of the European Parliament, where Mr Klaus Hänsch has just been voted president.

Unease inside Moslem Paris

Francis Ghilès reports on how immigrants are coping with a clampdown

The heavy policing of areas of Paris inhabited by large numbers of Moslem immigrants, following the killing of five French officials in Algiers last month, appears so far to have been well received by French public opinion.

The policy, announced by Mr Charles Pasqua, the minister of the interior, won the support of 71 per cent of respondents to one poll taken in mid-August who said they trusted the government to "avoid the risk of terrorism". Some 57 per cent agreed that repeated identity-checks by security forces were "efficient and dissuasive".

Weeks after the killings, with newspapers carrying daily reports of further violence and deaths in Algeria, the police are still out in force in the north-African populated districts of larger towns, although the tension is now easing. However, in such north-African strongholds as Barbès, near Montmartre, shops close earlier and cafes are quieter than usual. Some immigrants have even abandoned their customary Friday prayers at the local mosque for fear of police spot-checks or being caught up in random trouble.

Older immigrants, mainly Algerians, fear that the worsening violence in their country could spill over into terrorist acts in France. They remember all too clearly that the Algerian war of independence was fought out in the streets of French cities as well as in north Africa.

But they also fear growing racism encouraged by indiscriminate political and media rhetoric. Mr Daïd Boubakeur, rector of the Paris mosque, has expressed his concern that the "fragile consensus" which has

France expels 20 Algerian detainees to west Africa

The French authorities yesterday expelled to the African state of Burkina Faso 20 of the 26 Algerians who have been detained at a military base for nearly a month as part of the Balladur government's anti-terrorist clampdown, writes Alice Rawsthorn in Paris.

Mr Charles Pasqua, the pugilistic interior minister who last month orchestrated the detentions after a radical mosque group claimed responsibility for the assassination of five French nationalists in Algeria, said the expulsions should act as "a lesson to anyone who doesn't respect the laws of the land".

The interior ministry declined to comment on what would happen to the six Algerians still being held under heavy guard at the disused army barracks in the village of Follembroy on the outskirts of Paris. However, Mr Said Magri, a Lille police liaison officer who went on hunger strike after being interned in early August, was yesterday allowed to return to his home.

Mr Pasqua came under fire from legal groups for sanctioning the original internment of the Algerians and for yesterday's expulsions.

grown up in recent years between many immigrants and French society is coming under increasing strain.

The greater police activity has yielded what appears to be a very mixed bag of alleged terrorists, reminiscent of a similar crackdown nearly a year ago in response to the kidnapping of three consular officials in Algiers. One of the two dozen Islamic Salvation Front (FIS) sympathisers detained at the Follembroy barracks, 100km north-east of Paris, is the activist, Mr Ahmed Simozrag, who acted as lawyer for Mr Abassi Madani, the leader of the FIS who has spent the last three years in an Algerian jail. Others are self-proclaimed imams or run bookshops which stock FIS literature. Some had weapons and considerable sums of money when picked up.

Critics of Mr Pasqua's policy argue that he does not differentiate between the FIS, with its

armed wing in Algeria, the Islamic Liberation Army (AIS) which has condemned the killing of foreigners, and the hard-line Islamic Armed Group (GIA) which claims to be responsible for the deaths of the 59 foreigners killed over the past 12 months. As a result, they feel that the minister is inviting reprisals on French residents in Algeria and tempting the FIS to take its fight onto French territory.

Unlike Mr Alain Juppé, the minister of foreign affairs, who has called for a dialogue between all parties to the conflict in Algeria, Mr Pasqua has given his unstinting support to the military-backed regime. Mr Pasqua's involvement with Algerian affairs can be traced back to the days when he founded the Service d'Action Civique (SAC) to fight settlers who, between 1959 and 1962 had regrouped in the Organisation de l'Armée Secrète (OAS) to fight General de Gaulle's

policy in Algeria.

Mr Pasqua's supporters argue that there is no such thing as a "moderate" fundamentalist. Ironically, since government-backed attempts in the mid-1980s to integrate immigrant children in the poorer suburbs failed, mayors of cities with large immigrant populations have often turned to Islam in the battle against crime and drugs.

Young unemployed *Beurs*, as French-born north Africans are called, found solace in Islam and are proclaiming their Moslem faith in growing numbers. Traders have erected signs which distinguish their outlets from other, "non-Moslem" shops.

A sharp rise in the number of TV satellite dishes in north African suburbs has allowed immigrants increasingly to tune in to non-French television.

An estimated 3m Moslems live in France today, 500,000 of whom are French citizens and the children of older immigrants. Of this total, 800,000 are Algerian, 500,000 Moroccan and 200,000 Tunisian. It is more a patchwork of groups than a homogeneous community, however, and the French authorities remain extremely nervous at any sign of fundamentalism spreading.

But the real fear is based on the eventual outcome of the conflict in Algeria. Should the fundamentalists come to power in Algeria before next year's French election, Algeria and, by extension, the values propagated by radical Islam, would take centre stage in the presidential campaign. That is a prospect relished by few Frenchmen, other than right-wing supporters of Mr Jean-Marie Le Pen, and even fewer immigrants.

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Building boost for Japanese economy

By William Dawkins

Evidence of a modest recovery in Japanese domestic demand emerged yesterday in the form of an optimistic official forecast for industrial output and good construction industry figures.

Industrial output, representing just under a third of the economy, fell by 1.7 per cent from June to July, but manufacturing probably perked up again by 1.6 per cent in August, the Ministry of International Trade and Industry said. Overall production in the year to July was all but stagnant, with a 0.6 per cent decline.

Production has wavered all this year (it rose by 2.7 per cent in June) as the economy has bounced along in the early stage of a weak recovery. But MITI believes the latest result confirms a general trend for output to strengthen.

That view was supported yesterday by a 17.8 per cent rise in orders received by Japan's top 50 construction groups in the year to July, the first such jump in 18 months.

An encouraging feature was a 24.1 per cent rise in private sector orders, two-thirds of the total, showing that the industry is becoming less dependent on public works, a one-off boost financed by previous governments' economic stimulation packages. Public sector orders grew 12.1 per cent over the same period.

Separately, housing starts grew 5.8 per cent in the year to July, the fourth monthly rise running, and confirmation of a recovery in unit sales, though not prices, in the market for condominiums.

Satellite lost after engine failure

Japan's Science and Technology Agency (STA) lost its Y41.5bn (£270m) experimental satellite yesterday as engineers abandoned attempts to manoeuvre it into orbit following engine problems, Rikido Terazono reports from Tokyo.

The loss of the satellite, launched to conduct tests on communication, has caused deep embarrassment among officials of the STA and the National Space Development Agency (Nasda). Its launch last Sunday marked Japan's first solo development of a two-ton class geo-stationary satellite and Japan had hoped to join the world's leading space powers with its success.

Mr Masato Yamano, president of Nasda, apologised to the public yesterday for the failure. The programme had cost the government ¥60bn, with the H-2 rocket, which launched the satellite, worth ¥19bn.

Test ban treaty faces delays

A treaty banning all nuclear tests is unlikely to be completed by next April when the Nuclear Non-Proliferation Treaty (NPT) comes up for renewal, Frances Williams reports from Geneva. Mr Miguel Marin-Bosch of Mexico, who chairs the test ban treaty negotiations in Geneva, said yesterday it would take "a minor miracle" to finish the pact by then, though it might be possible to have an "almost agreed" text next spring.

A number of developing countries have said their position on extending the NPT will depend on progress in the talks on a comprehensive test ban treaty which began last January under the auspices of the United Nations Disarmament Conference.

Australian growth rate falls back

Australia's annual growth rate dipped back to 4.3 per cent during the June quarter, after reaching 5 per cent during the first three months of the year, Nikki Tait reports from Sydney. However, the new figure was in line with market expectations, and Mr Ralph Willis, the federal treasurer, said the government saw no need to adjust its recent budget forecasts.

Beijing passes law to disband Hong Kong's popularly elected assemblies

China scraps Patten's reform scheme

By Simon Holberton in Hong Kong

China's threat to disband popularly elected assemblies in Hong Kong was made law yesterday when the National People's Congress, China's parliament, empowered a yet-to-be-appointed group to establish a fresh political order in Hong Kong after 1997.

The official Xinhua news agency said the standing committee of the NPC had issued a "legal regulation" to abolish Governor Chris Patten's reform package. "The last Legislative Council, city government, district government and district board will be terminated on June 30," Xinhua said.

Since October 1992, when Mr Patten unveiled his plans for political reform, China has repeatedly threatened to reverse them on regaining sovereignty on July 1, 1997. The decision of the NPC, which was expected, puts beyond question Beijing's determination to do just that.

The Hong Kong government's spokesman said that

electoral arrangements, approved by Hong Kong's Legislative Council (LegCo) earlier this year, provided the best means for developing "mature institutions" consistent both with what has been agreed with China in the past and with the aspirations of Hong Kong people themselves.

"It is not immediately apparent how dismantling representative institutions which have been openly and fairly elected can be conducive to smooth transition," he said.

Xinhua said a preparatory committee, due to come into existence during 1996, has been given responsibility for matters relating to setting up the first post-colonial government and for forming its first legislature. The preparatory committee will consist of mainland officials and Hong Kong representatives.

The NPC's action in altering the preparatory committee's terms of reference constitutes an amendment of the Basic Law for Hong Kong, passed in 1990. Throughout months of talks with Britain about Mr Patten's political reforms,

China maintained that the Basic Law could not be amended.

Hong Kong's first fully democratic elections will be held later this month when voters participate in elections for the colony's 18 district boards, or local councils. Hong Kong is decked with posters proclaiming the virtues of Liberal, Democrat and pro-Communist candidates.

Ms Marian Elsdon, a consultant to the conservative Liberal Party, said yesterday that most participating in the elections had accepted that there would be a change in 1997 when China takes over. "They are an amazingly pragmatic people," she said. "There is also a feeling that there will be a compromise after 1997."

Be that as it may, it is clear from the NPC's decision that the Chinese government has no intention of making life any easier for Mr Patten and the British in Hong Kong.

The optimism which surrounded the Anglo-Chinese agreement on military lands in June has given way to caution as talks about the colony's new

airport and a container port development drag on.

On the airport, talks appear to have stalled because Beijing is not prepared to sign detailed agreement, preferring instead a general statement of support for the project. The Hong Kong government claims that leaders to the project will want to know if China approves of the financial agreements between the Hong Kong government and the two public corporations responsible for the airport and its connecting railway.

If this were not enough for Mr Patten, who returned to Hong Kong from a European holiday on Monday, he also has a number of other issues to contend with.

The Independent Commission Against Corruption is conducting an investigation into alleged corrupt practices at a recent land auction. If the commission should recommend prosecution, the government will face the unpalatable choice of charging some of the colony's leading businessmen or ducking the advice and reducing Mr Patten's advocacy

of the rule of law to empty rhetoric.

The governor is also facing the prospect of a rift between his office and the civil service, the 180,000-strong body which keeps Hong Kong functioning in an efficient manner.

Mr Patten has been at odds with Mrs Anson Chan, chief secretary, over a law banning discrimination against women and school textbooks' accounts of the 1989 Tiananmen massacre in Beijing. On both occasions Mrs Chan sided with officials who sought to adopt a more permissive tone.

Observers in Hong Kong expect the rift between UK and local officials to grow over the next three years as local Chinese officials adjust to the prospects of Chinese rule in the colony.

There is growing antagonism to Caucasians within the bureaucracy. A senior member of Mr Patten's own staff has been unable to move from Government House to another post within the senior civil service, partly due to his links with the governor and partly because he is not Chinese.

Banks' financial secrets to be revealed

Much of the secrecy surrounding banks' financial statements in Hong Kong is to be abolished, the Hong Kong Monetary Authority (HKMA) said yesterday, writes Simon Holberton.

The changes, which were welcomed by Hong Kong's investment community, mean that for the first time investors will know the true profits made by banks in the colony. In the past banks have been able to disguise their true position by transfers to or from secret balance sheet reserves.

The authority said banks with accounting periods ending on or after December 31 this year will be required to disclose all transfers to and from these reserves. In addition, banks will be required to provide much more detail about the structure of their loans and deposits than they have been required to do. This will make it easier to understand the structure of bank balance sheets.

The HKMA said the colony's banks will be able to keep secret the amount

they have already salted away in inner reserves, but by disclosing the amount of the transfer to or from reserves, analysts will be able to infer the true profit position of banks.

The authority said it would review its policy on disclosure of inner reserves in mid-1995.

The Hong Kong stock exchange's listing rules will be amended to make compliance with the disclosure provisions mandatory for listed banks.

To date, only HSBC Holdings and its

listed subsidiary Hang Seng Bank, fully disclose their financial position.

Mr Herbert Hui, a stock exchange executive director, said the changes to banks' reporting would enhance considerably the transparency of local bank reporting.

Mrs Laura Cha, an executive director of the Securities and Futures Commission, Hong Kong's corporate watchdog, said the level of disclosure to be required exceeded that originally proposed by the stock exchange and SFC.



Stockbrokers on the Bombay exchange, India's largest share market, show their delight as the exchange's index passes its previous record set in April 1992. Later that month it slumped after a scandal erupted concerning illegal transactions. See World Stock Markets. Associated Press

Japanese groups link for 'super-highway'

By Michio Nakamoto in Tokyo

Forty-five Japanese companies have joined forces to commercialise high-quality plastic optical fibre (POF) developed by Mr Yasuhiro Kojima, an assistant professor of applied science at Kato University.

The optical fibre at present

is made of glass. The problem is that connecting different strands of glass fibre is difficult, making the connectors used for that purpose

highly expensive, according to Mitsubishi Rayon.

Plastic optical fibre, on the other hand, is easily connected, reducing the cost of connecting fibres from as much as ¥30,000 (\$300) for each connection to as little as ¥10.

It had been thought that plastic fibre, because of its limited transmission capacity, was unsuitable for multimedia services, which call for the transmission of huge amounts of

data. The new plastic optical fibre developed by Mr Kojima has been able to overcome this shortcoming and is capable of transmitting from one to more than 2.5 gigabits of information per second, or equivalent to the amount required to send several television channels down one multimedia line.

Mitsubishi Rayon expects plastic optical fibre to serve different needs from glass optical fibre, which is likely still to

be used for main trunk lines. Development of the improved plastic optical fibre has attracted US companies, with Boeing expressing interest in licensing the technology.

News of the development supported a strong rise in the share prices of companies involved. Mitsubishi Rayon, for example, enjoyed an 11 per cent increase on the day to ¥472 in active trading. NEC rose ¥10 to ¥1,220.

North Korea signals move on succession

North Korea's decision to send a special envoy to China signals an imminent announcement of a new leader in the Stalinist state, diplomats and analysts in Seoul said yesterday, Reuters reports from Seoul.

North Korea said on Tuesday it was sending Mr Song Ho-gyong, vice-foreign minister to China as a special envoy.

"Song will be making the first public and official visit to Beijing by a senior North Korean official since the death of Kim Il-sung. This appears to be the completion of reshuffling in North Korea's hierarchy," an Asian diplomat said.

"It is an established practice between North Korea and

China to notify important changes in their countries," he said.

North Korea's former president died of a heart attack on July 8 after he designated his eldest son, Mr Kim Jong-il, as his successor, but the younger Kim has yet to be named as the country's communist party chief or state president.

"It is quite likely that Mr Song will notify leaders in Beijing of Pyongyang's plan to hold a huge rally soon formally to name Kim Jong-il as the party leader," said Mr Ko Tae-woo, chief analyst at the Institute for North Korean Studies.

"He will probably ask Beijing to take steps to help consolidate Kim Jong-

il's legitimacy," Mr Ko said.

China is North Korea's last important ally, and its blessing of the communist world's first dynastic succession is seen as vital to Mr Kim Jong-il, who lacks his father's charisma.

The Asian diplomat said China's support for Mr Kim Jong-il's leadership was particularly important as South Korea had built up an important business partnership with Beijing, diminishing the North's political leverage.

South Korea's trade ministry said two-way trade between Seoul and Beijing was expected to total \$12bn this year, up from \$9bn in 1993. Chinese figures put trade with South Korea in the first half of this

year at \$5bn, up 59 per cent on the same 1993 period, while trade with North Korea fell 21.9 per cent to \$35m.

"As this trade and investment grow North Korea's influence in Beijing wanes, especially after the death of Kim Il-sung, who knew many of China's veteran political and military leaders," a diplomat in Beijing said. Mr Kim Jong-il has rarely visited China and does not have the good personal relations with Chinese leaders his father enjoyed.

North Korea watchers in Seoul said that North Korea's elite must have been preoccupied with the task of restructuring its hierarchy around Mr Kim Jong-il since

the elder Kim's death.

"Now it is beginning to address the importance of its external relations," said Mr Lee Seok-hang, a director-general of the government-backed Institute of Foreign Affairs and National Security in Seoul. "Song's visit could mark the first step to seek continuity of its external relations," he added.

The naming of Mr Kim Jong-il as the new communist party chief could coincide with celebrations on September 9 or October 10, the anniversary of the setting up of the ruling party.

He was last seen publicly at a July 20 memorial service for his father.

Philippine first-half economic growth rate doubles to 5.1%

By José Galang in Manila

The Philippines economy grew 5.1 per cent in the first half of this year, more than double the 2.3 per cent growth in the same period last year, according to government data released yesterday.

The performance puts the economy on track for its target

of 4.5 per cent overall growth for the whole of 1994, government economic managers said.

Behind the first-half expansion, according to the state policy-making National Economic and Development Authority (NEDA), was the stable electricity supply and favourable weather conditions during the period.

In the previous couple of years, the economy had stagnated because power supply shortages had caused daily power cuts that crippled manufacturing activities. Agriculture, on the other hand, was badly hit by typhoons and drought.

Gross domestic product in the first half rose 4.1 per cent,

but the ever-increasing flow of remittances from Filipinos employed abroad continued to bolster the overall gross national product, the NEDA data showed.

Power-related activity and construction were the growth leaders during the period, rising 14.5 per cent and 10 per cent respectively.

The government, in an effort to bring greater stability to power supply, has been commissioning several private groups to construct power stations.

The manufacturing sector, on the other hand, advanced 5 per cent, a turnaround from the decline of 3.1 per cent in the same period last year,

when the power cuts were at their worst.

The trade sector was also vibrant. Exports expanded 18.2 per cent, but imports rose 22.2 per cent. NEDA officials said the bulk of the imports were capital goods (industrial equipment and machinery), which could lead to further industrial growth in the coming months.

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NEWS: WORLD TRADE

Plan for Franco-German link UK may join pipe venture

By Michael Undermann in Bonn

British Steel said yesterday it was in talks about a three-way joint venture which would bring together the company's large-diameter welded pipe business with Usinor-Sacilor, the French steel group, and Mannesmann, the German engineering group.

The possible joint venture would be the first time that three European steelmakers have pooled such resources.

"It is a highly competitive and variable world market," a spokesman said. "There is over-capacity so it's only natural that companies should be talking to each other."

The talks, which a British Steel spokesman said were at a "preliminary" stage, are designed to create a three-way venture out of Europipe, a three-year-old joint venture between Mannesmannröhren-Werke, the German partner, and Dillinger Hüttenwerke, a subsidiary of Usinor-Sacilor. The talks are not expected to reach any conclusion until early next year, British Steel said.

Mr Brian Moffat, British

Steel chairman, has repeatedly urged European steelmakers to discuss mergers and alliances which would help lift depressed steel prices and cut over-capacity. "Cross-border mergers and alliances are inevitable and desirable," he said in a recent speech.

However, a spokesman for British Steel admitted that the company had had no major successes with these efforts because of what he described as "in-built resistance" among European steel producers.

So far British Steel has two European joint ventures, Avista Sheffield and European Electrical Steels, both with Swedish steel companies.

Large-diameter pipes represent about 25 per cent of British Steel's total pipe and tube capacity.

The company produces around 200,000 tonnes of large-diameter pipes a year at its works in Stockton and Hartlepool in the UK, where it recently modernised the 42-inch pipe mill.

A spokesman for Mannesmann declined to give any details about Europipe's turnover.

Indian imports of oil set to fall

By Shiraz Sidhwa in New Delhi

India's oil imports are expected to fall by 6m tonnes in the current financial year (April 1994-March 1995), following an increase in domestic crude production, saving the country nearly Rs23bn (\$33m) in foreign exchange at current international prices.

Crude oil imports are expected to drop to 24m tonnes this year, from 30m tonnes in 1993-94, according to figures released yesterday by Indian Oil Corporation, one of India's largest public sector units, and the central agency for the import of crude oil and selected petroleum products.

However, petroleum product imports were expected to rise to 13m-15m tonnes, from 12.6m last year. This increase is due in large measure to the increase in demand for diesel (for tractors) when the country has had a good monsoon. Mr J L Zaiski, chairman of Indian oil, yesterday announced the corporation's net profit of Rs7.72bn during 1993-94, through its refining and marketing operations, up 14 per cent from last year.

Asia-Pacific pledge urged on trade curbs

By Guy de Jonquieres in London and Nikid Tait in Sydney

Leaders of the 17 countries of the Asia-Pacific Economic Cooperation forum should commit themselves this year to eliminating by 2020 all barriers to trade and investment in the region, an international advisory panel has recommended.

The panel's report says liberalisation should not be confined to Apec countries, but should seek to reinforce the multilateral trade system by simultaneously extending the benefits of free trade to non-members. The report is the most detailed effort yet to draft a blueprint for the development of the five-year-old organisation.

It was drafted by a 16-member eminent persons' group at the request of last year's Apec summit in Seattle. The authors call on Apec leaders to agree at their next meeting, in Jakarta in November, to launch the liberalisation programme in the year 2000 and to pledge themselves to completing it over the next 20 years.

Though the report's recommendations are unanimously backed by its authors,

some have admitted that they do not expect all their proposals to win political approval quickly.

Mr Neville Wran, Australia's representative on the eminent persons' group, said yesterday that the liberalisation timetable yesterday was something of a vision, and that over-hasty efforts to turn Apec into a more formal organisation could damage confidence in it.

Apec members have already displayed sharp differences about the pace and direction of future development. While the report's findings seem likely to be broadly favoured by industrialised countries such as the US and Australia, reactions in Asia are expected to be more mixed.

The report says more advanced Apec members should dismantle all their trade and investment barriers by 2010, and developing countries by 2020.

As well as tackling border obstacles, liberalisation should extend to such matters as government procurement and technical standards.

The authors say the programme should aim for "open regionalism" by building on - and in some cases going beyond - the principles of the

General Agreement on Tariffs and Trade.

They emphasise that Apec should not become a customs union and should avoid the "over-institutionalisation and over-bureaucratization" typified by the European Union.

"Without any reservation whatsoever, we strongly oppose the creation of a trading bloc that would be inward-looking and would divert from the pursuit of global free trade," the report says.

Individual Apec countries should instead be encouraged to liberalise trade unilaterally as far as possible, while the organisation should be ready to negotiate concessions with non-members on a reciprocal basis. However, the report says that unless Apec leaders move rapidly to launch a liberalisation drive, the group's achievement could be jeopardised by fragmentation and discrimination caused by a proliferation of sub-regional economic groupings.

To prevent this happening, the authors call on groupings such as the North American Free Trade Area to undertake to extend to the whole of Apec the trade preferences enjoyed by their members.

Rolls-Royce seeks bigger Airbus share

By Paul Betts, Aerospace Correspondent, in Toulouse

Rolls-Royce, the British aero-engine manufacturer, is seeking to win a greater share of the European Airbus market after two decades in which it favoured supplying engines for rival US aircraft manufacturers including Boeing and Lockheed.

The move reflects the UK company's reassessment of the growing penetration by Airbus of the market for large aircraft. Airbus has now secured about 30 per cent of the world market and set itself a target to increase this share to 50 per cent over the next decade, according to Mr Jean Pierson, the Airbus chief executive.

Rolls-Royce, which is expected to report higher first-half profits today, at present only

new engine would have a market estimated at about 5,000 units for both the A340 and the new A310 advanced aircraft.

Rolls-Royce, whose first Trent 700 engine made its debut on an A330-300 for Cathay Pacific yesterday, is also seeking opportunities to equip other future Airbus products with its expanded engine family as well as with possible new power plants.

Rolls-Royce's intention was to offer engines for Airbus programmes including possible replacements of the older A300 and A310 wide-body airliners, future derivatives of the A330 and A340 and the proposed A3XX super-jumbo, said Mr John Rose, Rolls-Royce's deputy managing director.

Rolls-Royce, which is also collaborating with Boeing on a possible development of a super-jumbo aircraft, plans to have a scale model of its proposed A3XX on display at the Farnborough Air Show next week. It says the new four-engine super-jumbo - capable of carrying up to 840 passengers in one class with a possibility of going up to 1,000 in a stretched version of the aircraft - would not require the development of a new engine but could be equipped by power plants like the Trent 700 and its US rivals.

The move by the UK aero-engine maker reflects an increasing penetration of the large aircraft market by Airbus, which seeks 50 per cent of sales over the next decade

provides the Trent 700 engine for the Airbus A330 twin-engine wide-body airliner, although it participates with other companies in the V2500 engine powering the smaller A320 and A321 twin-engine narrow-body airliners.

The UK company's hopes hinge on the development of a new 40,000lb thrust engine to equip a new larger-range version of the A340 four-engine wide-body aircraft. This is currently powered only by CFM engines jointly manufactured by General Electric of the US and Snecma of France.

This new engine could also have applications for advanced versions of the older A310 wide-body airliner currently under study at Airbus.

Airbus confirmed yesterday it was holding intense studies with all three leading aero-engine manufacturers (Rolls-Royce, Pratt & Whitney and GE) on the development of a new 40,000lb thrust engine.

Mr Pierson said the consortium expected to take a technical decision on a longer-range version of the A340 next year. The ultimate aim was to develop an ultra-long-range aircraft capable of flying a one-stop round-the-world trip. The

new engine would have a market estimated at about 5,000 units for both the A340 and the new A310 advanced aircraft.

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But demand for a super-jumbo is not expected to emerge until the next decade.

Mr Peter Sutch, chairman of Cathay Pacific, said the Hong Kong airline did not envisage a need for a super-jumbo until around 2008. It unveiled yesterday a new corporate livery to reflect what Mr Sutch called "a changed and revitalised airline moving into a new era".

Both British Airways and Singapore Airlines have already expressed interest in acquiring a super-jumbo.

Mr Pierson yesterday welcomed the roll-out of the first A330 equipped with a Rolls-Royce power plant, saying it was "high time we saw a 'made-in-Europe' engine on an Airbus' aircraft". With a Rolls-Royce engine and British Aerospace's 20 per cent share in Airbus, the UK content of the A330s ordered by Cathay Pacific topped 50 per cent.

Mr Rose said the A330 was "one more building block" in the UK company's relationship with Airbus. "We must now build up this relationship," he added. But Rolls-Royce is also interested in developing its share on new US Boeing aircraft, including the 777 twin engine wide-body airliner and Boeing studies to develop a larger version of its 747 jumbo or a new very large aircraft.

Victory for Taipei as air links with Japan are boosted

By Laura Tyson in Taipei

Taiwan and Japan have agreed to expand air links between the two countries for the first time since a civil aviation pact was agreed in 1975.

The accord allows each side to appoint two carriers to provide air services between Taiwan and Japan, Taiwan's transport ministry said yesterday.

It adds a new route, Taipei to Fukuoka and increases flights on the existing routes between Taipei and Nagoya and between Tokyo and Okinawa.

The outcome of the talks marks an important victory for Taipei, which for two years has been thwarted by Beijing in its efforts to expand services to Japan to meet increased demand.

It also represents a coup for EVA Airways, Taiwan's first privately owned international carrier.

Taiwan's flag carrier, China Airlines, and Japan's All Nippon Airways,

ways currently provide regular flights between Taiwan and Japan.

EVA, founded in 1991 by the Evergreen group, the shipping concern, will share the expanded routes with Japan's All Nippon, a subsidiary of All Nippon Airways.

The accord was not an unqualified success, however, as the two sides were unable to establish direct air links between Taipei and Osaka's new Kansai Airport, an important route for business travel.

Negotiations over this route were stymied by objections from Beijing. Japan switched diplomatic recognition from Taipei to Beijing in 1972.

Trade and investment ties between Taiwan and Japan have grown rapidly in recent years. Two-way trade climbed to US\$32.1bn last year from \$8.06bn in 1983, with Taiwan posting a record bilateral trade deficit of \$14.2bn in 1993.

Singapore airport in Vietnamese city deal

By Kieran Cooke in Singapore

Singapore Airport Terminal Services (Sats) is teaming up with Vietnamese groups in a US\$15m venture to provide cargo handling services at Ho Chi Minh City airport, in the south of Vietnam.

Sats, a subsidiary of Singapore Airlines (SIA), will hold a 30 per cent stake in the venture, with the rest controlled by Vietnam Airlines and a local Vietnamese company.

Sats says that cargo traffic between Singapore and Vietnam rose by more than 60 per cent in the past year, while passenger traffic between the two countries increased by more than 40 per cent in the first six months of 1994.

Sats is already participating in the development of an air-freight terminal in the Chinese capital, Beijing, and is involved also in setting up a flight catering operation in Karachi, Pakistan.

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Derivatives loss fuels call for legislation

By George Graham
in Washington

Heavy losses on financial derivatives trading by a Maryland county administration are fuelling calls in the US Congress for legislation to tighten oversight of the derivatives market.

Charles County, Maryland, said its deputy treasurer had been dismissed after the county discovered a loss of an estimated \$1.3m on investments in derivatives, including mortgage-backed securities. The investments also tied up about \$27m, a quarter of the county's annual budget, in securities, which Mr Roger Fink, county attorney, says the local government was not authorised to buy.

The Maryland county has filed suit against the brokers involved in the trades to seek the return of the money invested.

Mr Henry Gonzalez, chairman of the US House of Representatives banking committee, said the losses confirmed the need for derivatives legislation, for which he has been arguing.

"How many more firms, pension funds and counties are we going to read about, losing money due to derivatives, before the Congress takes action?" he asked.

Mr Gonzalez has introduced a bill, with Congressman Jim Leach, senior Republican on the banking committee, which would stiffen bank supervisors' oversight of the derivatives market, and wants detailed drafting to get under way soon after Congress returns from recess next week.

The House energy and commerce committee has also been working on legislation which would provide tighter supervision of some largely unregulated derivatives subsidiaries of investment banks and insurance companies.

Drafting legislation is complicated by rivalry between the two committees, as well as by the general hostility of bank supervisors. Washington officials do not expect new derivatives legislation this year.

Even so, the addition of local taxpayers to the list of losers in the fast-moving markets for derivatives - complex securi-

ties whose return is derived from another security or index - is expected to increase concern in Congress.

In earlier congressional hearings on the need for tougher regulation of derivatives, many members said they were unmoved by news that large and sophisticated multinational companies, which should be able to look after themselves, had lost money in derivatives trading. Local government treasurers and local taxpayers, however, arouse more sympathy in Congress.

Charles County faced a cash crisis as a consequence of the trades. The county saw itself as having been without authority, under state law, to have bought securities with a maturity longer than 270 days. Because it believed it never legally owned them, it could not sell them, Mr Fink said yesterday.

However, to avoid freezing the securities during years of litigation, the county and the brokers being sued subsequently agreed to sell the portfolio.

Derivatives column, page 21

Castro may go to war, says report

President Fidel Castro may opt for war with the US if he is backed into a corner, said a study prepared for the Pentagon and released yesterday. Reuter reports from Washington.

The study by Rand, a California research organisation, was completed last spring and anticipated the anti-government demonstrations and refugee exodus of recent weeks.

It said Mr Castro was unlikely to accept a forceful invasion because it would tarnish his place in history.

"Castro is not likely to give up power voluntarily; and if cornered he might fight to the death," said the report, paid for by the office of Mr William Perry, defence secretary.

"With his regime at the point of unravelling, Castro might try to engineer a final military reckoning with the US in a Götterdämmerung-type scenario that could leave Cuba destroyed but would confirm his legacy as Latin America's staunchest anti-imperialist," it said.

Such an outcome, the study insisted, "conforms not only to the value that Castro places on struggle, intrinsically, and defiance, but also the way he and past Cuban leaders have exalted the acts of death and martyrdom on behalf of the nation." The Cuban leader might seek a clash over the Florida Straits, which separate Florida and Cuba by 90 miles, or over Guantanamo Bay, the US naval base on Cuba's southeast shore.

His grip on power remained firm, with the Communist party apparatus, military and security organs "largely in the hands of hardline officers", the report said. Clinton administration officials have said they are not committed to ousting Mr Castro. Instead, they have tightened a 31-year-old US trade embargo against Cuba to force him towards meaningful economic and political reforms.

The Rand report concluded that such reforms were highly unlikely while Mr Castro remained in power.

Cubans risk all for better life

Pascal Fletcher reports on economic pressure to become a refugee

As talks begin in New York today on the Cuban refugee crisis even government officials in Havana admit that life has become plagued with hardships for the island's 11m people.

The chronic shortages of food and other basic goods are the result of the worst economic crisis in the 35-year history of the Cuban revolution. It followed the collapse after 1990 of preferential trade and aid links with the now defunct Soviet bloc.

While hundreds of Cubans risk their lives trying to reach the US in flimsy, home-made rafts, those who stay behind view their departure with mixed emotions.

"I'm a revolutionary and all that I have I owe to the revolution," said Mr Roberto Pérez from Havana. He was explaining why he had not joined five members of his family who, with nine others, clambered aboard a rickety half-raft, half-boat that set off this week from a beach at Cojimar, east of Havana. Their craft joined a dozen others on Monday afternoon aiming for Florida.

Mr Pérez added: "Besides, I'm 54 and black. What am I going to do over there?" Gesturing towards his departing relatives, a brother, a

sister-in-law and three teenage grandchildren, he went on: "I don't criticise them. They are young, they aspire to other things. If I were young, I would go too."

Further along the beach another elderly man was staying behind. "I would like things to improve here so that people wouldn't have to go," he said. Fear of making the risky, 90-mile sea crossing, reluctance to leave behind family and friends and hopes that things might eventually improve are all factors keeping many Cubans from joining the exodus from the communist-ruled Caribbean state.

There is an air of desolation about the streets of Havana. The decaying buildings and potholed streets and the lack of shops, restaurants and businesses operating normally are symptoms of an economic squeeze made worse by a long-standing US trade embargo.

The desire for a "better life" is the motive most cited by the departing rafters, who appear undeterred by the change in policy announced by US President Bill Clinton in mid-August. The change means that Cubans who try to leave without visas will now not be granted automatic entry to the US as they had been for years. They face indefinite detention

at the US naval base at Guantanamo Bay in eastern Cuba or at other US detention centres.

The dispute over immigration is part of the wider US-Cuban conflict and will be at the centre of the talks in New York between high-ranking Cuban and US officials. Senior US officials have made clear they are willing to discuss ways of controlling the exodus of Cuban refugees, but not much else.

Cuban President Fidel Castro, who criticised Mr Clinton's recent policy change towards the Cuban refugees as "absurd", has said the talks should include lifting the US embargo and ending the barrage of anti-communist radio and television broadcasts directed from the US.

He also wants an immediate end to new sanctions announced this month by Mr Clinton, which included a virtual halt to US dollar remittances from Cuban Americans to relatives on the island.

Heading the Cuban delegation will be Mr Ricardo Alarón, a prominent figure in the communist party hierarchy and head of the island's National Assembly. He is a former foreign minister and ambassador to the United Nations.

Mr Alarón is an experienced diplomat who has faced the Americans before in immigration negotiations. He helped to negotiate a previous immigration accord in 1984, four years after the so-called Mariel "boat-lift" by which about 125,000 Cubans left the island. Mr Alarón is a staunch defender of the island's one-party political system and can be expected to resist any US demands for reforms in that area.

The Cubans hope the pressure generated by the humanitarian problem of the refugees will persuade Mr Clinton to change the policy of hostility towards Mr Castro's rule practised by successive US administrations since shortly after the 1959 Cuban revolution. This may be a vain hope, as US officials such as Ms Janet Reno, the attorney-general, have publicly blamed the refugee exodus on the Cuban leadership.

Some relief to the refugee problem may come from third nations such as Canada and Mexico, which have said they are willing to take some Cuban refugees with families already living in their countries.

Meanwhile, as the exodus of rafters continues, Cubans staying behind will wait to see if this week's talks can break the 30-year deadlock of hostility.

US middle class divided by skills, says Reich

By James Harding
in Washington

The middle class in the US is being divided by its levels of education and skills, according to Mr Robert Reich, US labour secretary.

In a pre-Labor Day speech on the state of the workforce yesterday, Mr Reich said: "The deepest divisions [in US society] aren't based on race or on national origin or on geography. They're based on the ability of individuals to make their way in an increasingly turbulent society."

Mr Reich said that whereas in 1979 a "middle class" male with a college degree earned 49 per cent more than one with only a high school diploma, by 1992 the college graduate was

earning 83 per cent more.

Unemployment patterns, too, reflect the divergence between the skilled and the unskilled. The unemployment rate for those who completed a college education has held steady over the last 15 years at around 3 per cent. The level for those who did not finish high school, however, has jumped from 7 per cent in the 1970s to 12 per cent last year.

Although Mr Reich said there was much to celebrate in the news that between last Labor Day and the end of July the economy had added 2.5m new jobs, he said the middle class had splintered into three groups: an "underclass" isolated from the core economy and walled off from hope, an "overclass" who profitably

rode the changes in the economy, and the bulk of the population, an "anxious class... pulled and stretched by the need to work two or more jobs to keep a family solvent, by uneasiness about healthcare, by the spectre that today's job will disappear tomorrow."

Mr Reich was one of the main intellectual forces behind the Clinton administration's pledge to reward the work of "the forgotten middle class". The answer to the growing divisions, he says, is education. Expanding skills, particularly in technology-related fields, in-house training programmes and keeping potential high-school drop-outs in education longer all help to build a new middle class, he believes.

GREEK EXPORTS S.A.

ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE SALE OF THE ASSETS OF THE COMPANIES OF THE PIRAIKI-PATRAIKI GROUP NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., based in Athens (17 Panepistimiou Street) and legally represented, in its capacity as Liquidator, following decisions No. 1039/1992 of the Patras Court of Appeal, and 7815/92 of the Athens Court of Appeal, and according to article 48a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 and completed by article 53 of Law 2224/94, and following instructions dated 11/7/94 from the Industrial Reconstruction Organisation (being the essential creditor of the companies of the PIRAIKI-PATRAIKI Group and authorised to make all relevant decisions in accordance with article 22 of Law 2191/1994)

ANNOUNCES

repeat international public auctions with sealed, binding offers for the sale of the total assets of the following societies anonymous now under liquidation:

1. PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. established in Patras.
2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A. established in Chalkida referred to hereinafter as "the Company".

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANIES

1. PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. established in Patras, is a vertical spinning and weaving unit unusual in Greece for its size, high technological level and know-how and production of specialised materials. The spinning mill, weaving mill, dyeing installation, finishing installation etc. (totaling 713,000 cu. m.) are the main production units of the company, covering an area of about 206 stremas. Included in the assets for sale are the PIRAIKI-PATRAIKI trade mark and another 37 trade marks as described in detail in the offering memorandum.
2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A., established in Chalkida, is engaged in the production of unbleached cotton materials. The main products are the following: Gabardine, bedsheet, picnic covers, dimy, oldworld cloth, velvet, cabot, calico. The weaving mill is considered to be the largest in Greece in terms of looms, with 182 Suber 153 and 78 Suber 110 looms installed. The company plant, totalling 104,248 cu.m. is in the Vrontou area of Chalkida (within the town plant) on a plot of land 42,882 sq. metres in area.

TERMS OF THE AUCTION

1. Interested parties are invited to receive from the Liquidator the Offering Memorandum and draft Letter of Guarantee in order to submit a sealed, binding offer for the public notaries appointed to the auction, Mr Panayotis V. Kokkalis, at 31 Patras & Mecenes Streets, Patras, tel. +30-81-277-759 for the first-mentioned company, and Mr Ioannis E. Geroyannis, at 22 El. Venizelou Street, Chalkida, tel. +30-221-233-43 for the last-mentioned company up to 1800 hours on Wednesday, 21st September 1994.
2. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the stated time limit will not be accepted or considered.
3. The bids will be unsealed before the above-mentioned notaries on Thursday, 22nd September 1994 at 1000 hours, with the Liquidator in attendance. Parties having submitted bids within the prescribed time limit are also authorised to attend.
4. The sealed, binding offers must clearly state whether they refer to the total assets or to separate operational elements of the assets of the company under liquidation, the offered price and method of payment (cash or credit, the number of instalments, the time period over which the payments are to be made at a fixed interest rate. In the event that there is no mention of a) the method of payment, b) whether interest is to be charged and c) the interest rate, it will be assumed respectively that a) the amount is to be paid in cash, b) the instalments will not be subject to interest, c) the interest on the instalments is to be calculated according to the offered interest rate on annual basis at the time of submission.
5. Offers shall be null and void unless accompanied by a letter of guarantee from a bank legally operating in Greece. The letter will be valid until the signing of the contract and will be to the amount of 150,000,000 drachmas for PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILL S.A. and 100,000,000 drachmas for PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.
6. The Company's assets and all fixed and circulating elements that comprise them, inventories, movables, claims, rights etc. are to be sold and transferred as is and where is, and more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not. Claims of each company against the other connected companies of the Group are accepted and are not transferable.
7. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90, article 48a, para. 1 as in force), shall bear no liability for any legal or actual defects or for any deficiency in the particulars of the effects for sale or rights, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
8. Prospective buyers, hereinafter referred to as Buyers, shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the objects of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 48a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
9. The essential criteria for evaluating the offers by the Liquidator, among others, shall be the amount of the offered price, the assurance of as many as possible job positions and the business plans of prospective buyers.
10. Offers must not contain terms upon which their bidders may depend or be vague with regard to the height of the amount offered or its method of payment or to any other essential matter affecting the sale. The Liquidator and the Creditor have the right, at their inalienable discretion, to reject offers which contain terms and clauses, regardless of whether they are higher than other offers.
11. In the event that payment is to be made on credit, the present value of the assets will be taken into account.
12. In order to secure the credit, the buyer will provide the Liquidator, on the date of signature of the sale contract, a letter of guarantee from a bank legally operating in Greece, representing 50% of the amount on credit and the interest thereon, while the balance of the amount on credit will be secured by a nullification clause and a first mortgage.
13. The offers must contain a commitment by the buyers that the plants will be kept in operation for at least five (5) years.
14. On all points concerning the business plans of the buyers (job positions, height of investments, length of operation, etc.) as well as for the other terms to be agreed upon, the buyers must accept clauses and other terms which will guarantee the continuity of their undertakings.
15. The highest bidder is the one whose offer has been evaluated by the Liquidator and judged by the Creditor as being the most satisfactory.
16. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is being forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
17. Letters of guarantee accompanying the offers of other bidders, except the highest bidder, will be returned to them immediately after the adjudication of the auction which occurs with no signature of the relative sales contract.
18. The Liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to his proposal of the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or nullification of the auction for any cause or reason whatsoever.
19. Participants in the auction who have submitted bids do not acquire any right and can make no demand or claim on the strength of this announcement or of their participation, against the Liquidator or the creditors for any cause or reason.
20. The buyer of the assets of PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A. does not have the right, after signature of the sale contract, to use in any way the PIRAIKI-PATRAIKI name nor the trade marks under which the Group's products are sold.
21. The transfer expenses of the assets for sale (power, VAT charge on the value of the movables, stamp duty, notary fees and mortgage fees, rights and other expenses for drawing up topographical diagrams as per Law 651/1977, etc.) will be borne by the buyer. It is to be noted that with regard to the non-operational expenses of the assets, the exceptions mentioned in para. 13 of article 14 of Law 2000/91 and in accordance with para. 11a of article 48a of Law 1892/90 as supplemented by article 53 of Law 2224/94 do not apply.

Participation in the auction requires acceptance of the terms of the present announcement. For further information, interested parties can apply to the head office of the Liquidator company, GREEK EXPORTS S.A., in Athens at 17 Panepistimiou Street, 1st Floor, Tel. +30-1-3243111-115.



Four Cubans join hands this week to wade out from Cojimar towards a raft which they hope will take them to Florida. Picture: Reuters

Caricom supports Haiti invasion

By Carute James in Kingston

Neighbours of Haiti yesterday agreed to support a US-led invasion of the Caribbean republic, saying the refusal of the military leaders there to step down had closed the door to a negotiated settlement of the country's political crisis.

Mr Strobe Talbot, US deputy secretary of state, and Mr John Deutch, US deputy defence secretary, yesterday attended a meeting of the Caribbean Community (Caricom) in Jamaica, to agree on the Caribbean nations' role in an invasion.

Mr Paul Robertson, Jamaica's foreign minister, said yesterday that Caricom troops would not take part in an invasion, but would be involved in a "holding operation" before the deployment of a UN mission in Haiti. Caricom's decision was a "watershed", which indicated "a sense of increasing urgency" in dealing with Haiti, said Mr Talbot.

Caribbean countries have been reluctant

to get involved in Haiti militarily, fearing domestic opposition to entanglement in a problem seen as intractable, as well as to a possible flood of refugees. But they see a holding operation as a way to address these fears.

About 300 Caribbean troops would be involved, their task being to maintain law and order before, and perhaps after, the return to Haiti from exile of President Jean-Bertrand Aristide, said a Caricom official. Caricom is made up of 13 English speaking members, but only those with standing armies - Antigua, the Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago - will be involved.

"As this has been done by some of their closest neighbours, albeit some without military might, the Haitian leaders must now know that foreign military intervention is imminent unless they step down in a few days," said a Caricom spokesman.

Military staff officers from the Caribbean countries will join their US, British

and Argentine counterparts to "finalise and co-ordinate arrangements" for the military intervention in Haiti, said Mr Erskine Sandford, prime minister of Barbados and Caricom chairman. The Caribbean contingent will be trained at a US naval base in eastern Puerto Rico.

US and Caribbean officials refused to be drawn on the timing of an invasion of Haiti. But Caribbean military sources said the plans were in place and only awaited President Bill Clinton's authorisation. They expected that US forces, led by special groups such as naval Seals, would infiltrate Haiti under the cover of darkness and disable strategic targets, including command and control centres of the Haitian military.

Some Haitian junior officers, according to Caribbean military sources, have been holding clandestine meetings with representatives of foreign intelligence agencies, mainly the US, and have committed themselves to support the invasion.

Splits follow an election defeat

Damian Fraser finds the main Mexican opposition parties troubled

Divisions have emerged within Mexico's two main opposition parties, following their heavy defeat in the presidential election of August 21.

Both the leftist and centre-right opposition have blamed unfair electoral conditions - the ruling party's massive spending in the campaign and its favourable television coverage - as the key reason for defeat.

But both opposition parties are internally divided on the best way to push for fairer future elections, and how far they should co-operate, if at all, with the administration of Mr Ernesto Zedillo of the ruling Institutional Revolutionary Party (PRI), due to take office in early December.

The leftist Party of Democratic Revolution (PRD) - which came third with 17.1 per cent of the vote - is increasingly split between a radical faction, which supports challenging the election results through civic protests, and a moderate wing which believes that the party should move to the centre, and focus on presenting evidence of fraud to electoral tribunals.

Mr Cuauhtémoc Cárdenas, the party's presidential candi-

date, appears caught between the two wings. He has denounced the election as fraudulent - even though most observers believe reported irregularities did not affect the result. Yet he has called on his supporters to avoid the sort of mass mobilisations that have

legitimacy, if not the legality, of the result. On Tuesday, the PAN called for new laws to govern the conduct of political parties and to separate the PRI from the government.

The PAN's divisions are less profound than those of the PRD, in part because the former won a greater proportion of the vote than ever before. The party won 119 of the 500 seats in the Chamber of Deputies, 48 more than the PRD, and will have 24 seats in the expanded Senate. For many, the results are a vindication of the PAN's strategy of maintaining good relations with the government.

Even so, the PAN's failure to win much more than a quarter of the national vote has led to criticisms of close co-operation with the government in recent years, and its acceptance of electoral conditions that favour the PRI. Some even

wonder whether Mr Diego Fernández de Cevallos, the party's presidential candidate last month, had done a deal with the PRI to lose the election.

The PAN has been particularly hurt by heavy losses in the three states which it governs - Baja California, Guanajuato and Chihuahua. The PAN had hoped that these local strongholds would act as a springboard for national victory. The PAN's best showing was in states firmly controlled by the PRI - Jalisco, Nuevo León and Sonora, indicating that much of its support is based on a protest vote.

Mr Vicente Fox, the PAN leader from Guanajuato, last week attacked Mr Fernández for having accepted the PRI victory and having described the electoral process as clean.

Such internal criticisms have led to a notable hardening in statements by Mr Fernández over recent days. In an outspoken television interview on Sunday night, he sharply criticised the extravagant campaign spending of Mr Zedillo and the favourable coverage the latter had received on television. The PAN leader, who held a full endorsement of Mr Zedillo's victory, describing it as an illegitimate triumph.

Unionists divided in degrees of scepticism

By Tim Coone and David Owen

The response by Northern Ireland's unionists to the IRA ceasefire will be crucial in determining how far the two governments can respond to it, consolidating it into what Dublin already believes is a permanent ceasefire.

Initial unionist reactions have been ambivalent and sceptical. Mr Jim Wilson, general secretary of the Ulster Unionist party, said the IRA ceasefire did not meet the conditions of the Downing Street declaration and "should not therefore trigger the process in which Sinn Féin could enter into exploratory talks with the British government".

Sitting across the negotiating table from Sinn Féin is "way, way down

the road", he said. If there is a permanent end to IRA violence though, and after exploratory talks between Sinn Féin and the British government, "as a democratic party we would envisage a situation in which we would talk to other democratically elected parties".

Mr James Molyneux, leader of the DUP, emerged from an hour-long meeting with prime minister John Major at Downing Street to say that he did not think the IRA's statement was sufficient to start the clock ticking in the lead-up to talks between London and Sinn Féin.

"I hope those who have influence with Sinn Féin/IRA will be able to take the next step and make it permanent," Mr Molyneux said.

In a message to loyalist paramili-

taries, Mr Molyneux said there was "no justification or excuse for violence on the part of anyone".

The headline Democratic Unionist party has been predictably apocalyptic in its response. Mr Ian Paisley, the DUP leader, was earlier this week warning of a "civil war" if the IRA ceasefire involved a deal with the British government.

Mr Gregory Campbell, a DUP councillor from Derry, said: "The IRA is replacing violence as a means of achieving its aims, with the threat of violence. Does anybody believe there has been no deal? We await with great interest what the British government has agreed to do in return."

The DUP remains steadfastly opposed to talks with Sinn Féin at

any stage in the peace process, and has refused to enter round-table talks even with the other parties in the province unless the Downing Street declaration is rescinded.

With the prospect of inclusive round-table talks still some way off, of immediate concern for the politicians and the security forces in Northern Ireland is whether there will be a backlash from the loyalist paramilitaries which could undermine the IRA ceasefire.

The Combined Loyalist Military Command, the umbrella group for the two main protestant paramilitary groups, the UVF and the UFF, appears to be waiting to see what happens. In a statement yesterday it said: "We will not be dancing to the Pan-nationalist tune," and added: "is

our constitution being tampered with or is it not? What deals have been done? End the speculation. No further comment will be forthcoming from the Combined Loyalist Military Command at present."

Perhaps the most encouraging signal that loyalist reaction may be restrained has come from Mr Hugh Smyth, Belfast's Lord Mayor, who is a member of the Progressive Unionist party, whose political base is in the loyalist Shankill Road area in Belfast and is considered close to the Ulster Volunteer Force.

He welcomed yesterday's "opportunity for peace" and urged the people of Northern Ireland to "grasp this opportunity because history will not treat us kindly if we throw this opportunity away, providing that

there is no sell-out. I believe we should all work now for peace, stability and political progress through reconciliation."

He described Republican aspirations for a united Ireland as "legitimate" as long as they are not pursued by violent means.

The key issue facing unionist leaders in the weeks ahead, therefore, will be whether they can bury their differences to confront what is now likely to emerge as a powerful nationalist alliance with agreed negotiating goals, between the mainly Catholic SDLP and Sinn Féin in Northern Ireland, backed by Fianna Fáil and Labour in the government in the Republic. Failure to do so may well see a further erosion of unionist aspirations.

Clinton hails start of 'new era'

By George Graham in Washington and David Gardner in Brussels

US president Mr Bill Clinton yesterday greeted the IRA's ceasefire as a "watershed announcement".

The European Commission also hailed the breakthrough and said it would step up its efforts to aid the province.

Mr Clinton said: "While much work remains to be done, the IRA's decision to join the political process can mark the beginning of a new era that holds the promise of peace for all the people of Northern Ireland."

In a statement from the Massachusetts island of Martha's Vineyard, where he is on holiday, Mr Clinton said he hoped the ceasefire would lead to something more permanent.

"I urge the IRA, and all who have supported it, to fulfil the promise of today's announcement to end the use and support of violence, just as we continue to call on all parties who have sought to achieve political goals through the use of violence to cease to do so. There must be a permanent end to violence."

Mr Clinton, who spoke by telephone yesterday morning with Mr John Major, the prime minister, and his Irish counterpart, Mr Albert Reynolds, said he was "pleased that the US has been able to contribute to this process of reconciliation", and was ready to assist in advancing the process of peace.

He gave no details of any possible increase in US financial aid to Northern Ireland.

US officials are discussing a financial package, though figures have not yet been decided.

White House officials said there were no plans yet for any joint meeting of Mr Clinton, Mr Reynolds and Mr Major, but they were "aware of interest from the Irish government" in such a meeting.

Privately, some White House officials see the ceasefire announcement as vindication of their decision - overriding objections from the Departments of State and Justice, and the British government - to allow Mr Gerry Adams, the Sinn Féin president, to enter the US in February.

Mr Jacques Delors, the European Commission president, took the opportunity to stress the importance of the "European dimension".

He said he would discuss "additional financial and other measures" with the UK and Irish governments.

Mrs Pauline Green, leader of the European Parliament's largest bloc, the 198-strong Socialist Group, urged "all sections of the community in Northern Ireland to seize the historic opportunity for peace that is now before them".

Cautious response from UK leaders

By Roland Rudd and Our Belfast Correspondent

The prime minister was yesterday urged by rightwing Conservatives not to embark on constitutional talks with Sinn Féin until the IRA agreed to a permanent ceasefire.

Among Northern Ireland politicians, nationalists greeted the ceasefire announcement with delight while unionists voiced suspicion that the statement did not signal a permanent end to the IRA's terrorist campaign.

Sir George Gardiner, chairman of the SD group of Thatcherite Tory MPs, warned of the risk of "limiting opinion in the majority of Northern Ireland" if ministers moved too fast in response to the IRA ceasefire.

Mr Andrew Hunter, a member of the Commons Northern Ireland select committee, feared it could be "a tactical ploy - a pause in the killing".

He said: "You cannot possibly sit at a table and negotiate with people who will resume killing if they don't get what they want in those negotiations - that is an impossible situation."

An indication of the potential Tory opposition to constitutional talks with Sinn Féin came with the publication of a pamphlet by Mr Norman Lamont, the former chancellor, who argued against involving Sinn Féin in talks.

Mr Lamont's pamphlet, written before yesterday's announcement, said Sinn Féin's participation in a constitutional conference would put ministers "in the position of being held responsible for the next round of terror if they do not give in to the IRA blackmail of threatening to pull out".

On the left of the Tory party Mr Peter Temple-Morris said people were "afraid of peace". Another Tory backbencher urged unionists to "seize the opportunities of peace" and break the "strutted of the past".

Mr Tony Blair, Labour leader, gave a cautious welcome to the IRA ceasefire, but stressed the test would come in whether it led to a permanent renunciation of violence.

Mr Paddy Ashdown, Liberal Democrat leader, said: "If the IRA has at last realised that it cannot achieve its aims through violence, then this is a very important moment for peace in Northern Ireland."

In Northern Ireland, unionist politicians said the IRA should surrender its arsenal of weapons and explosives to prove it was serious about ending terrorism for good.

But Mr John Hume, leader of the Social Democratic and Labour party, who put his reputation on the line by talking with Sinn Féin, said the ceasefire would be "welcomed by Irish people everywhere, but particularly by the people in the streets of Northern Ireland. Now we face the primary challenge which is our reach agreement among us divided people."

Molyneux holds the power of veto

By Philip Stephens

It was no accident that Mr James Molyneux was in 10 Downing Street within hours of the IRA's announcement yesterday of an end to its campaign of violence.

Nor was it by chance that his publicly voiced concerns about the absence in the IRA statement of the word "permanent" were echoed by Mr John Major.

Mr Molyneux, the MP for the Protestant stronghold of Lagan Valley and leader of the mainstream Ulster Unionists, holds a veto over the prime minister's search for a durable political settlement in Northern Ireland.

Without his tacit consent, Mr Major could not have struck the political deal with Dublin which provided the essential backdrop to the IRA's decision.

Mr Molyneux did not like the Downing Street declaration or the subsequent clarifications. But he acquiesced.

Had he decided otherwise, Mr Major - an embattled prime minister with a perilously small majority and plenty of enemies on his own backbenches - would have had to abandon the enterprise.

The same will be true now. Assuming that the IRA is genuine in its intent, Mr Molyneux will have a similar influence over the pace and extent of Mr Major's government's response. An eventual political settlement will depend on his signature.

Mr Molyneux is no soft touch. One of the most experienced figures in Ulster politics - he has been an MP since 1970 and celebrated his 74th birthday at the weekend - his commitment to unionism is as strong as any in the community he represents.

Tactically but instinctively a shrewd political operator, he has survived longer than many

expected as the top of one of the roughest political environments in western Europe.

Over 15 years he has headed off several potential challenges to his leadership of the Official Unionist party, which has nine MPs. He has contained the threat to his party's position from Mr Ian Paisley's more extreme Democratic Unionist party.

He is deeply suspicious of any negotiation between London and Dublin. Like many in the unionist community, he sees no reason why the republic should have any role in discussions on the future of part of another sovereign state.

His stated preference for a political settlement has been greater integration of Ulster into the political process at Westminster - or failing that, the creation of a devolved assembly in the province with no interference from Dublin.

But Mr Molyneux is a man of the raw politics of Ulster. He lacks the temperate bigotry of some in the unionist community. He believes that if deals are to be made, then it is better to remain on the inside track than to join Mr Paisley in shooting from the sidelines.

Mr Molyneux has judged so far that the interests of the unionists would not be served by derailing the process which led to yesterday's IRA ceasefire. And despite his insistence on proof of its permanence, the signs yesterday were that he is willing to acquiesce in further moves along the same road.

To his opponents in the nationalist community, Mr Molyneux is a stubborn and blinkered man whose refusal to admit even the possibility of Irish unity will be a permanent obstacle to a political settlement. But without him Mr Major and Mr Reynolds would not have got even this far.



The day peace broke out in Downing Street, Ulster Unionist leader James Molyneux (left); in Dublin, Irish prime minister Albert Reynolds (top) and in New York, provisional IRA leader Joseph Cahill

Limits of republican patience may soon be tested

By Tim Coone

When the "troubles" began in Northern Ireland 25 years ago, graffiti appeared on walls in nationalist areas Belfast and Derry saying "IRA = I Ran Away".

That taunt against the old IRA, which did not want to be drawn into sectarian conflict with Protestants, provided the rallying cry for a new generation of republicans who wanted to revive the armed struggle, largely dormant since the 1950s. The Provisional IRA split with the Official IRA and has been at the forefront of the conflict ever since.

That new generation is today's old generation, which yesterday announced an end to its 25-year campaign with a view to joining a purely political battle for the goal of a united Ireland.

But if Sinn Féin, the IRA's political wing, is unable to make political headway there can be little doubt that hardliners will begin to question the value of the ceasefire. And, if the ceasefire collapses, the position of Mr Gerry Adams as Sinn Féin's leader and prime mover of its "peace strategy" will inevitably fall into question.

And if loyalist paramilitaries think that an eventual participation of Sinn Féin in negotiations is leading to significant political concessions to nationalists, they may well decide to escalate their own military actions to undermine the ceasefire, rather than respond in kind to it, as they are being urged to do.

The "I Ran Away" taunt could then return to haunt the leaders of Sinn Féin and the IRA, and create pressure for action in defence of nationalist communities - or in the worst of scenarios, a replay of the 1970s split that saw the "Officials" enter mainstream politics and the young militants carry on the war.

There is little doubt in the minds of the security forces that the IRA is a tightly disciplined organisation. Its "active service units" operate in small cells. Their weapons are controlled through a separate quartermaster division, and bunkered in secret sites in the republic and Ulster. The quartermasters are controlled by the IRA's ruling body, its Army Council.

The possibility of "maverick" units rejecting the ceasefire and operating independently of the Army Council is minimal - although not impossible if weaponry exists outside the control of the leadership.

The IRA is believed to have some 700 automatic rifles, a considerable stock of machine-guns, millions of rounds of ammunition, 25 tons of Semtex explosive, plus copious supplies of home-made fertiliser-

based explosive as well as its own-design mortars.

Senior republican officials have repeatedly stressed that the IRA and Sinn Féin leaderships are moving in tandem on the peace process, and that the possibility of a rupture will not arise, either between the organisations or within them.

Some councillors from the Catholic community in Belfast, however, believe that the IRA leadership is prepared to call off the ceasefire if loyalist killings escalate and the security forces are unable to contain them. Some 200 republicans are said to have been warned by the RUC in the past few weeks that loyalists have details on them.

Sinn Féin blames this leakage of intelligence information on renegade elements within the security forces sympathetic to the loyalist paramilitaries. The IRA's commitment to the ceasefire is, therefore, likely to be in part determined by how the security forces respond to any upsurge in loyalist violence.

Attempts by armed republican splinter groups - such as the INLA and the IPLO - to pick up headline support from within the IRA by continuing the war are considered to be limited because of their shortage of weaponry and the debility of their leadership by internal feuding.

The IRA has also been willing to act ruthlessly against its rivals, if it felt its own territory was being invaded or its leading role threatened. It is thought that its recent killing of a gangland boss in Dublin may be linked to the IRA asserting its authority and discipline within the armed republican movement.

There was a firm belief in political circles in Dublin yesterday that the IRA is committed to a permanent cessation of violence. But the rapidity with which the Irish government has moved to reassure Sinn Féin that it will be quickly incorporated into political talks indicates Dublin's appreciation that IRA patience has its limits.

Hume entitled to a wry smile

By David Owen

The crucial word "permanent" did not appear in the IRA's ceasefire statement. But these must nevertheless be sweet moments for Mr John Hume.

The leader of the mainly Catholic Social Democratic and Labour party is widely credited with injecting vital momentum into the peace process through his meetings with Mr Gerry Adams, the Sinn Féin president, starting in April 1993.

He was pilloried savagely for his troubles - not least when he claimed in November there could be "peace within a week" if the joint initiative, dismissed as "sheer lunacy" by Mr James Molyneux, the Ulster Unionist party leader, was embraced.

But now he is entitled to a very least to a wry smile. His decision to put his reputation on the line by insisting on the

overriding need to bring Sinn Féin on board, often against the instincts of his senior party colleagues, may well have been vindicated.

No wonder he yesterday professed himself "very pleased indeed" with the IRA's announcement and insisted that a total cessation of violence was at hand.

The sheer bitterness of the vitriol that has at times been heaped on him over the last year is in some ways readily comprehensible.

Apart from his determination to sup with the devil, as hardline unionists have seen it, Mr Hume has a reputation for not being a good team player, and for arrogance and bloody-mindedness. Interviews with him can quickly degenerate into university-style tutorials.

His frustration at the com-

ments of others in some of the heated Commons debates as the UK-Irish initiative ground its way forward has sometimes been counter-productive and all too readily apparent.

But Mr Hume, 57, is also a man of passion, generosity and integrity - besides being enormously good company.

Although steeped in the cauldron of Ulster politics, the stress of the last few months has been enormous and has taken its toll. A cigarette is rarely absent from his grasp.

Talk of his retirement as MP for Foyle, a Westminster seat he has held for 11 years in addition to serving as one of the province's three MEPs, has surfaced more than once.

But it is a safe bet that such thoughts are far from his mind at present.

Among his most pressing tasks will be to try to convince

the British government that yesterday's announcement is enough to start the clock ticking on the three-month period within which London has promised to begin talks with Sinn Féin in the event of a permanent end to violence. He said yesterday that he hoped dialogue would begin "as soon as possible".

A respected figure in Washington and Brussels, he may also have a key role to play in encouraging support for the substantial package of US aid which is widely expected.

The transformation that heavy US investment has helped bring about in his backyard of Derry - once the epicentre of the troubles but comparatively calm in recent years - is seen by many as indicative of what might be achieved throughout the province.

US visa gives veteran a role in peace process

By Tim Coone

The final piece of the jigsaw to fall into place before the announcement of the IRA ceasefire was the granting on Tuesday of a US visa to Mr Joe Cahill, a veteran republican.

During the visit of an influential Irish-American delegation to Dublin and Belfast last week, Sinn Féin attached great importance to the US government allowing a senior republican to visit the country.

The purpose of Mr Cahill's visit is to explain Sinn Féin's and the IRA's plans to republican supporters there, and to prepare the ground Sinn Féin efforts to encourage the US administration into acting as an "honest broker" in developing the peace process.

Mr Cahill, now in his late 60s, was sentenced to death for IRA activity in 1942. The sentence was commuted, and he emerged in the early 1970s as a key figure in establishing the Provisional IRA when it split from the Official IRA.

He became commanding officer of the IRA's "Belfast Brigade" in 1971. He met Sir Harold Wilson, who was then the British prime minister, in Dublin on March 13 1972, during a 72-hour IRA ceasefire.

The two met again at Sir Harold's home in Buckinghamshire in July that year.

Lord Merlyn Rees, then Labour's spokesman on Northern Ireland, described Mr Cahill and his colleagues as "hard men who talked and looked like soldiers".

"They talked solely in terms of military victory. There was no sign of compromise".

Mr Cahill became head of the IRA's Army Council in November 1972 and was involved in negotiating the first Libyan arms shipments for the IRA.

He was arrested by the Irish Navy in March 1973 aboard a West German cargo ship, accompanying five tons of Libyan arms.

He spent time interned in Northern Ireland and was imprisoned in the Republic, where he spent 23 days on hunger strike.

Replaced by a younger leadership in the late 1970s, Mr Cahill has remained a respected figure in the Republican movement.

NEWS: UK

BT cuts prices in long-distance market

By Andrew Adonis

British Telecommunications cut the price of long-distance calls within the UK by up to a quarter yesterday, in a move likely to increase pressure on its competitors in the business market.

The reductions, which will cost BT £244m over a full year, were made within the terms of an agreement with Ofcom, the telecoms regulator, obliging BT to cut its charges by a total of about £500m in this financial year. They take effect from September 29.

Ofcom does not dictate the precise

price cuts BT must make, only their total value. The reductions are the latest in a series aimed by BT at business users, who account for a disproportionately large share of long-distance calls.

Mercury and other new entrants in the business sector earn most of their revenue by undercutting BT on long-distance call charges.

In a clear indication of its predicament, Mercury said yesterday it would be cutting business prices "shortly after" BT, but refused to say by how much.

Earlier this year Mercury briefly retained the morning peak rate for

some business customers after BT abolished it.

Yesterday's price cut involves abolishing the higher rate band for calls of 35 miles or more, which accounts for nearly three quarters of all long-distance calls made in the UK.

It follows a 20p reduction, to 25p, in the cost of calls to directory inquiries, which takes effect today at a cost of 576m a year to BT.

BT said that an average business customer, with an annual call charge bill of £431, would save £20 (4.6 per cent) after the long-distance price cut. The average residential customer,

with an annual bill of £164, would save £5 (3.7 per cent).

The changes leave BT with about £190m worth of cuts to make before the end of the year. Analysts believe the most likely target is international calls, where BT faces increasingly stiff competition.

Mercury earns nearly half its revenue from international calls, and several new operators - including Worldcom and MFS - are competing hard for corporate international business. Energis, a new UK long-distance operator using electricity pylons for its network, opened for business this week.

BT also announced a range of improved discount schemes for high-usage customers. Small businesses with quarterly call bills of £50 or more are the main gainers.

Mr Michael Hopper, BT's managing director, said the price cuts "were made possible by BT's £20bn investment in modernising the UK telephone network over the past 10 years".

The Telecommunications Users Association welcomed BT's price cuts, and the simplification of the tariff structure. "It will enable customers to more easily understand call costs," said Mr Bill Mieran, its chairman.

Britain in brief



Airline staff vote to strike

Cabin crew at Britannia Airways, the UK's second largest airline, have voted to take strike action in support of their annual pay claim.

The 900 members of the British Airlines Stewards and Stewardesses Association - part of the Transport and General Workers Union - voted 3-1 in favour of strike action. Some 87% of the 700 who voted, supported the strike, said the union.

The union had rejected a pay offer of three per cent on basic pay with an extra two per cent unconsolidated lump sum payment.

Britannia management have agreed to talks with the union today in the presence of members of the Advisory Conciliation and Arbitration Service.

In the meantime Britannia, in volume terms the biggest charter airline in the world and a subsidiary of Thomson's Group, the holiday company, is training volunteers from other parts of the group.

The airline said it has secured more than the 400 volunteers it needed to replace striking cabin staff if they took action. Some 900 of the airline's 1,460 cabin crew belong to the union. The replacement staff are undergoing a four-day safety and emergency procedures course that will allow them to gain Civil Aviation Authority certification.

Britannia said it was confident that it could run a complete service with skeleton crews if a strike went ahead.

Doubt over Swans workers

A core workforce at Swan Hunter would have to be laid off, rather than made redundant, and to forfeit entitlement to lay-off payments as a condition of continued employment, the French company wishing to buy the Tyneside shipbuilder said yesterday.

The affected workers, who under this proposal would not be made redundant in November when Swans last frigate is handed over, would then have to wait on lay-off to be called to work as required by its new owner, claiming state benefits when not receiving wages. Under the present company scheme, they are entitled to 85% of their earnings if laid off.

Mr Fred Henderson, who has led negotiations for Sofisa Construcciones Mécánicas de Normandie on its proposed purchase of Swan Hunter, which is in receivership, said CMN would take on the legal obligation to pay the employees their redundancy, should they later not be needed.

Rise in value of farmland

The average value of agricultural land in the UK rose by 21 per cent in the year to the end of June, according to a farmland valuation index compiled by Savills, the land surveyors.

The improvement in British farm incomes following the devaluation of sterling against other European currencies has contributed to the land boom, the company said.

Land values increased most in regions where large arable

holdings are predominant as these farmers have benefited most from the upturn. Rises in hill land values were lowest at 10 per cent. Farmland values increased by 12 per cent in the first 6 months of the year.

N Sea licences 'fast-tracked'

The British government yesterday announced the completion of the 15th North Sea oil and gas licensing round, the first to be conducted under a "fast track" approach to ensure early exploration of the blocks on offer.

Mr Tim Eggar, energy and industry minister, said many of the successful bidders had agreed to accelerate their seismic surveys and exploration drilling to ensure any discoveries could be tied into the existing North Sea transportation infrastructure.

The six-year licences cover 29 of the 81 blocks offered last April. They are concentrated in the southern basin, a mainly gas area, and the central North Sea. Both are established production areas with extensive pipeline networks.

Amoco UK, the British arm of the US oil company, and British Gas were among the successful bidders. But Mr Eggar said he was pleased that a number of smaller companies also secured licences.

Nominations for the 16th licensing round are being considered, with an announcement of blocks to be offered expected in the autumn, Mr Eggar said.

'Reasonable' job laws urged

Harmonisation of employment laws in the European Union must "remain within reasonable limits", Mr Jacques Delors said in London yesterday.

Mr Delors, retiring president of the European Commission, said at a Trades Union Congress meeting that EU-level rights must not become an obstacle for less developed countries.

He struck a more cautious note about the European social dimension than when he spoke to the TUC Congress in 1988 and helped convert the British labour movement to a pro-European stance.

Mr Delors, a former union leader in France, stressed that it was important to respect national diversity. He also warned that unions had often failed to stay in touch with their members' aspirations and needed to restrain wage demands.

Power company to build station

Scottish Hydro-Electric, the electricity company, is to strengthen its push into the English and Welsh power markets by building a 47MW combined heat and power station in Runcorn, Cheshire. The plant, which will supply electricity and steam for Salt Union, part of the Harris Chemicals Group, will be owned and operated by Hydro.

Surplus electricity will be sold to Hydro's existing customers through the local distribution system.

Salt Union is Hydro's third CHP plant in England. The first was a 9MW joint venture with Arjo Wiggins in Dover, Kent, the second a 157MW joint venture with BNF in Salford, Cumbria.

Hydro is also in the final stages of commissioning a 680MW combined cycle gas station in Keadby, Humberside, with Norweb as partner. When all of these projects are commissioned next year, about a third of Hydro's production will be available to supply customers in England and Wales.

Valuation target for Broadgate set at £1.5bn

By Simon Davies and Andrew Taylor

Potential buyers of Broadgate Properties, the City property investment company owned jointly by Stanhope and Rosehaugh, have been told that the company will be worth £1.5bn in three years' time, compared with its most recent valuation of £350m.

Jones Lang Wootton, which has been advising Stanhope on Broadgate, has indicated to interested parties that rents, excluding concessions, in Broadgate's core City properties should reach £50 per sq ft within 18 months. This compares with current estimates of around £30 per sq ft, which implies an explosion in City property prices back to the peak levels of 1989/1990, which saw average prime rents of £55 per sq ft.

Potential bidders were agog at the price, and dismissed it as an attempt to divert them from Stanhope's weak negotiating position. Stanhope has to restructure its £160m debt by the end of this year, when its bank lines come under review.

Interest has been intensifying in Stanhope, which had a net negative worth of £15.8m in June 1993, but which still controls a large high quality property portfolio.

Mr Stuart Lipton, Stanhope's

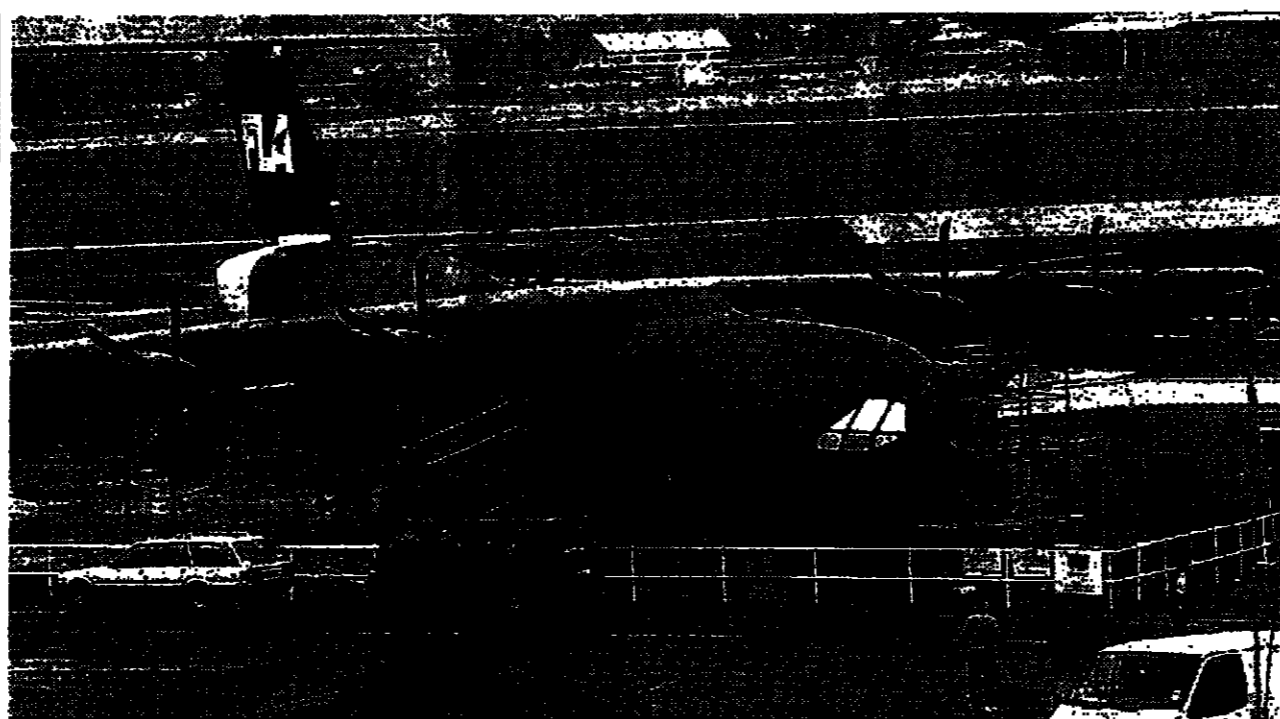
chief executive, is confident that his portfolio will remain intact. He is keen to arrange a restructuring, enabling Stanhope to buy the Rosehaugh receiver's half of Broadgate, but analysts dismissed this as a pipe dream. It is more likely that Stanhope will have to part with its own stake in the holding company for the Broadgate and Ludgate developments.

The front runner for such a purchase is Mr John Ritblat's British Land, which owns 29.9 per cent of Stanhope's shares - sufficient to block any financial reconstruction under Stanhope's quantity named "Project Phoenix".

British Land has made no qualms about the fact that its only interest is Broadgate. US securities houses, Goldman Sachs and Morgan Stanley, are also known to be interested, and there is a fourth bidder lined up.

There has also been renewed interest in Stanhope's debt. Long-Term Credit Bank has found a buyer for £20m of debt, at a price of around 80p in the pound. It is understood that Bankers Trust is the buyer, but there may be other sub-participants, prepared to gamble on a successful restructuring.

Part of the attraction of Stanhope is its pre-emption rights over Rosehaugh's Broadgate stake.



A wooden mock-up of the European Future Large Aircraft which will be at the Farnborough Airshow, Hants, starting September 5

Tunnel bids to include station plans

By John Authers

The four private consortia bidding to build the Channel Tunnel Rail Link must submit plans to build stations at both Ebbsfleet in Kent and Stratford in east London. Dr Brian Mawhinney, the transport secretary announced yesterday.

Ebbsfleet will definitely be the site for an international and domestic station, while a decision will be taken later on Stratford. Tenderers have been

asked to submit plans for an international and a domestic station there. Proposals to build a station at Rainham in Essex have been abandoned.

A government decision on intermediate stations for the link was originally scheduled for May, and the project is behind schedule.

The consortia must lodge their tenders with the government by March 14 next year. These must include the size and timing of the support

required from the government - total costs of the project are estimated at £2.7bn - and an allocation of risk between the government and the private sector.

The winning consortium will design, build, finance and operate the link through European Passenger Services, the company responsible for international passenger train services using the Channel tunnel, and take over Union Railways, the British Rail company which

has developed the link project. The four groups invited to tender are: EuroRail CTRL (BICC, GEC, HSBC Holdings, National Westminster Bank, Seaboard, Trafalgar House), a consortium of Hoechst, Costain, Nishimatsu and Siemens; London and Continental (Arup, Bechtel, Blue Circle, Halcrow, National Express, Virgin, Warburg); and Union Link (AEG, W.S. Atkins, Holzmann, Mowlem, Spie Batignolles, Taylor Woodrow).

Stena Sealink joins ferry ban on live animals

By Deborah Hargreaves

Stena Sealink became the last major ferry company to impose a ban on the transport of live animals on its cross-channel routes yesterday. The ban, which comes into effect today, applies to animals which are exported for fattening and subsequent slaughter in continental abattoirs.

Sealink's decision followed earlier moves by P&O and Brittany Ferries to stop carrying live animals destined for slaughter after a high-profile public campaign by animal welfare groups such as the Royal Society for the Prevention of Cruelty to Animals.

The Ministry of Agriculture is trying to work out an acceptable code of practice with the ferry companies. Livestock exporters and welfare groups. Stena said that until a code of practice is adopted, its ban will remain in place.

But Mr Roger Gale, the Conservative MP and chairman of the House of Commons all-party animal welfare group, called yesterday for a cessation

to the transport of live animals throughout and from the European Community.

Mr Gale said: "It is abundantly plain that mainland European authorities are quite simply not interested in enforcing transport regulations."

Welfare groups are pushing for an improvement in conditions for animals in transit, including a reduction in the 24-hour time limit during which they can travel without food or water. However, European Union governments have found difficulty in agreeing on changes to existing regulations.

Sealink carried around 10 per cent of the live animals exported compared with 60 per cent for P&O and 10 per cent for Brittany Ferries. The National Farmers Union said producers were very concerned about the lucrative export market being cut off by the action of the ferry companies.

Exports of live sheep and calves are worth about £10m a year to the industry and business has been growing.

Further growth in manufacturing

By Gillian Yett, Economics Staff

The UK manufacturing sector continued to expand last month, but this rapid growth may be creating supply bottlenecks and pushing up prices in some sectors, a business survey yesterday suggested.

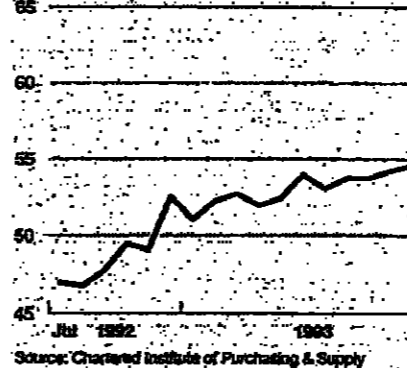
The survey of UK purchasing managers, published by the Chartered Institute of Purchasing and Supply, showed that the price index rose to a seasonally adjusted 73.7 per cent last month, up from 73.2 per cent in July.

This was the highest level since the index started in 1991, indicating that a rising number of manufacturers are reporting price increases, the CIPS said.

Purchasing managers in the plastics, paper and steel sectors had seen particularly significant price rises, with over two thirds of respondents in the chemical, rubber and plastics industries reporting increased costs, the CIPS said.

Manufacturing expansion slows as price pressures increase

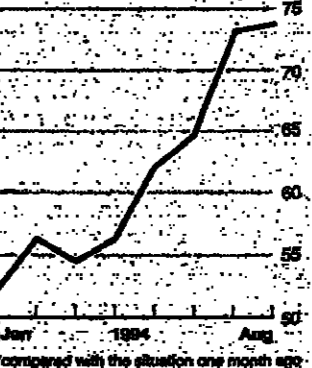
Purchasing Managers' Index (seasonally adjusted)



Although rising commodity prices accounted for part of this surge, growing demand was also pushing up prices, the CIPS added.

In another trend that may also point to capacity constraints in some sectors, suppliers' delivery times were also reported to be growing. The

Price of purchases (volume weighted)



suppliers' deliveries time index fell to 36.6 per cent last month, the lowest rate in its three-year history.

Meanwhile, the overall PMI index, compiled from the separate figures on output, orders, purchases, delivery times, stocks and employment, fell to 59.6 per cent in August, compared to 62.0 per cent in July.

Any reading above 50 per cent indicates an increase in activity compared to the previous month so the index suggests that manufacturing activity was continuing to expand last month, despite the slight reduction in pace, the CIPS said.

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THE HUDSUCKER PROXY (PG)
Joel Coen

WHEN A MAN LOVES A WOMAN
(15)
Luis Mandoki

THE SLINGSHOT (12)
Ake Sandgren

BOSNIA
Bernard-Henri Levy

If you can imagine *Death of a Salesman* gift-wrapped for Christmas by Frank Capra - and I sympathise if you cannot - you will have an idea of *The Hudsucker Proxy*.

The film-making Coen brothers, writer-director Joel and writer-producer Ethan, have long been threatening to make an overblown, under-conceived movie. *Blood Simple* was a modest but punchy murder thriller; *Raising Arizona* was a slight but funny baby-napping comedy; *Milky Way* was a rich, labyrinthine, intermittently funny tale of American-Indian gangster wars. Then came *Barton Fink*, stylish, bloated, loved by the French and beginning to hint at major vacuity. Now we have *The Hudsucker Proxy*, a whimsical enormity in which the brothers' whole creative operation seems to have been surrendered to their production designer, Dennis Gassner and his numerous assistants.

Size and show have been used to cover up the plainer premise. Amid over-rich sets - every room looks like Grand Central Station, every actor seems to be drowning in the ochre-and-twilight light we watch a fable of man's greedy quest for enrichment. Takeovers threaten Hudsucker Industries, New York, after the suicide of their chairman just before Christmas, 1958. We see this in flashback: Waring Hudsucker (Charles Durning) taking for take-off on the boardroom table before flying through the window.

Can his aide and next-in-line Sidney Musburger (Paul Newman) lower the company's stock, thereby enabling the board to buy control? And might not the best way to effect that devastation be to appoint a nincompoop as chairman?

Enter mailboy Norville Barnes (Tim Robbins), upon which everything goes according to plan. The movie's moral plan, that is, not Newman's money plan. Norville sends the stock skyrocketing with the hula hoop (all resemblances to real history...) - and by the close he is announcing something even more stupid called a frisbee.

Between the crunching ironies about small dreams triumphing in the teeth of repressive corporate ambition, our hero is visited and romanced by a character we can only call the Ghost of Screwball Heroes Past. She is reporter Amy Archer, played by Jennifer Jason Leigh as if the Coens had sat her down at a phonograph with records of Katharine Hepburn and Jean Arthur and told her to stay until she could do them both to a turn.

A "turn" is what the poor actress then gives us. We feel our minds' ears being dragged through *Mr Smith Goes To Wash-*



Crunching ironies as small dreams triumph in the teeth of corporate ambition: Tim Robbins and Paul Newman in 'The Hudsucker Proxy'

Cinema/Nigel Andrews

Capitalism stuck in a time-warp

ington and Mr Deeds Goes To Town and *Bringing Up Baby*, as if not only were there no tomorrow but today had been forced at gunpoint to turn into yesterday.

Everything in *The Hudsucker Proxy* is nostalgic pastiche from the corny-symphonic Khachaturian music (recognisable to ex-addicts of TV's *The Godfather*) to the lovingly mocked-up skyscrapers embossed with giant clocks, out of *Citizen Kane* by Harold Lloyd. As for the film's David-versus-Goliath view of industrial politics, it is stuck around the year of Fritz Lang's *Metropolis*.

The Coens play their capitalism-trashing fable for comedy not epic melodrama; but its simplifications still seem retarded. In this world everyone who holds power (Newman) or gains power (Robbins) becomes corrupt. "Little" ideas are the truly durable ones. And only the love of a good woman can hope to turn our hero from the path of moral degeneration. Sad, sentimental, time-worn. Wake me up when the Coen brothers reach 1994.

Hollywood has traditionally been reluctant to make films about alcoholism, writes Stephen Amidon. When drunks do appear on screen, they are usually used for either

comic relief or a quick shot of pathos. Eliciting sympathy for the addict is a tricky business, requiring the genius of a Jack Lemmon or a Michael Keaton. Far better to afflict your hero with a less problematic disease.

The makers of *When a Man Loves a Woman* seem to have lost sight of this, creating a wino weepie that never really engages the audience's sympathy. In it, yuppie Alice Green (Meg Ryan) tries to kick her quart-a-day vodka habit at an exclusive clinic, while her hunky, caring husband (Andy Garcia) looks after their angelic kids in a San Francisco dream home, aided by a diligent ethnic nanny. Setting aside the obvious caviar that if someone who looked like Meg Ryan drank a quart of Stolli a day she would not look much like Meg Ryan, it would still take a rare film indeed to make us care for such a pampered character.

Unfortunately, director Luis Mandoki tries to push all our pity buttons without first earning our respect. He, along with writers Ronald Bass and Al Franken, would have us believe that their heroine merely catches alcoholism as she might 'flu. It doesn't wash. Kicking the bottle certainly has its heroic elements, but they

are of a different order than those found in, say, terminal cases. Ryan is at a loss to portray a character for whom hitting bottom means taking a baby step down the social ladder, while Andy Garcia is equally at sea as her beleaguered spouse. Only Ellen Burstyn as Ryan's acerbic mother can inject some realistic passion into the film, suggesting that somebody might be to blame for this booing after all.

The Slingshot is one of those perfectly pitched coming-of-age stories that the Swedish film industry churns out with alarming regularity. Set in 1920s Stockholm, it follows the exploits of Roland, a poor yet resourceful 12-year-old who wins friends by using the condoms his progressive parents distribute to make slingshots.

Director Ake Sandgren's touch is as light as a feather, allowing him to modulate scenes of ribald anarchy and gentle emotion without ever hitting a wrong note. Lesser talents would have turned the prophetic resonance into the film's centrepiece, but Sandgren wisely keeps it just one of many arresting images of youth. And it is a measure of the director's ironic sensibility that when Roland finally escapes poverty for his childhood paradise,

his destination turns out to be a reform school.

Bernard-Henri Levy's *Bosnia* is an old-style polemic whose maker would like nothing better than to have its audience storm out of the ICA, rush across The Mall and besiege the Foreign Office, demanding something be done about the situation in Bosnia. Levy spent several months in the Balkans last year, collecting imagery too powerful for the TV news - snipers at work, the aftermath of bombings and beheadings, and one unforgettable scene of a concentration camp inmate dying of shock after being given his first drink of water in three days.

Levy argues that the Bosnian government's fate is a political situation which the west has cravenly transformed into a humanitarian crisis. It is a compelling point, though the director's unchecked partisanship hinders his argument. The Serbs are referred to as "scum" and at no time are they asked to give their side of the story, weak as it may be. NATO's recent air strikes, meanwhile, undercut Levy's accusations of western inaction. That said, this remains a disturbing documentary that should shame everyone who claims to suffer from compassion fatigue.

Theatre in Edinburgh/Martin Hoyle

Armstrong's Last Goodnight

Scottish Nationalists who have been complaining about the paucity of native culture in the official Edinburgh Festival may be appeased by a slice of Scots history from an English playwright. Certainly, *Armstrong's Last Goodnight* by John Arden, unveiled at the Lyceum Theatre 30 years after its Glasgow premiere is a tough experience for non-Caledonians. Most of it, conducted in an accent that makes Rab C. Nesbitt sound like Brian Sewell, is unintelligible; and when intelligible, uninteresting.

The story is set on the Anglo-Scots marches, among the reivers, those freebooting lairds who cocked a snook at authorities on both sides of the border; cattle-rustlers, pillagers and gangsters whose favourite form of protection money came in the original "black mail". The central character is John Armstrong of Gilnockie, a historical figure in the time of James V and his uncle Henry VIII. His execution by the Scottish king is the subject of an old ballad. The modern play-

wright has fleshed out this violent episode with what I suspect are reflections on the nature of politics, trust, responsibility and probably nonverbal cuisine, DIY and formula one racing for all I could gather from the incomprehensible dialogue.

What is clear from William Gaskill's indecipherable direction is that characterisation is almost totally absent. The play is less a think piece than a talk piece. For the most part these are pawns who come on, talk politics and walk off. When something more engaging is called for the result is embarrassing. The courteous mistress of the smoothie troubleshooter and man of letters Sir David Lindsay is a terrible cliché, and so Alison Peebles plays her, strenuously roughish, hand on hip, with much swishing of skirts and knowing gazes at the audience.

Fairly typical of the writing's inability to rise to the theatrical challenge is the scene where the roistering Armstrong and his followers are revealed as converts to a reforming evangelist, with no hint of how,

when or why these bandits turned into witnesses of faith that Billy Graham would be proud of. The conversion has been done off-stage with the chastity of an ancient Greek disaster. On second thoughts perhaps one should be thankful.

The ideas are not only banal but confused: sophisticated *realpolitik* is set against - what? For the main weakness of this production is the void at its centre. Stuart Hepburn's dowdy Armstrong is so glumly uncharismatic as to verge on the invisible. His final tragedy, lured to a treacherous end in his fiery with the king's false safe-conduct, leaves the impression of the death of a strutting clown since it has been preceded by no characterisation whatever.

The vast cast-list suggests that Arden had seen Osborne's *Luther* - there are hints of an attempt at the same historic scope, which may have prompted the 1965 National Theatre production with Albert Finney. That must have been more gripping. Or more decipherable.

Obituary

Lindsay Anderson

Lindsay Anderson, who died in France on Tuesday, was among the small group of directors who in the 1950s and 1960s transformed British cinema from a blinkered guardian of the nation's institutions into a sharply satirical mirror of its many ills.

Along with his "Free Cinema" colleagues Tony Richardson and Karel Reisz, Anderson spearheaded a national film movement which rivalled its French and American counterparts for intelligence and trenchant social analysis. Current lamentations about the sad state of the British movie industry almost inevitably point to Anderson's work as the ideal so rarely attained nowadays.

Born in Bangalore in 1923 into a Scottish military family, Anderson served with the Army Intelligence Corps in the second world war before entering Oxford, where he edited the influential film journal, *Sequence*. Upon graduation he pursued a career as a film critic for such publications as *New Statesman*, *Sight and Sound* and *The Observer*, platforms he used to rail against the conformity and anaemia of British film-making.

Before long, Anderson began to make films himself, cutting his teeth on a series of respected short documentaries that concluded with his Academy Award winning *Thursday's Children* in 1955. During this period, Anderson also distinguished himself as a theatre director at the Royal Court as well as directing five episodes of the famous *Robin Hood* series for television.

Anderson's career in feature films began spectacularly in 1963 with *This Sporting Life*, a powerful examination of celebrity and class dynamics in which Richard Harris portrayed a social-climbing rugby player. Although firmly in the tradition of the Angry Young Man school of gritty realism, Anderson's first film distinguished itself through a crisp anecdotal style gleaned from his years as a documentary maker.

The director's next triumph was his public school masterpiece *I... (1968)*, a quintessential study of 1960s alienation and surely one of the greatest youth rebellion films of all time. That film's star, Malcolm McDowell, was again featured in the final instalment of Anderson's informal trilogy of decay in British life, *O Lucky Man!* (1973), a technically brilliant and blackly funny account of capitalism gone mad. In all these films the rigid institutions that held British society together were subjected to a brutal analysis, while at the same time an anarchic, emotional humanity was unabashedly triumphant. Though heavily schooled in theory, Anderson was above all else a visionary. His instinctive talent was to have little time for the visual technocrats currently masquerading as the avant garde of British film-making.

Anderson's later work never quite reached the dizzying heights he achieved in his first decade of feature film-making. *Britannia Hospital* (1982), a scathing satire of the NHS, had its memorable moments, though the deftness of comic touch that marked its predecessors was missing. And *The Whales of August* (1987), Anderson's only American film, was a sentimental drama of the first order that nevertheless had little to do with the dizzying darkness of his previous work. During this period he also continued to direct for the stage and television (most recently he returned to the National Theatre last year to direct a sell-out production of David Storey's new play *Stages*) as well as to act, most notably his portrayal alongside John Gielgud of an anti-Semitic Cambridge don in *Chariots of Fire*.

In 1947, reflecting on the controversy surrounding Powell and Pressburger's *The Life and Times of Colonel Blimp*, Anderson remarked that "perhaps the tendency is to treat the films of one's own country like its prophets - with less than justice." It is a mark of Lindsay Anderson's contribution as a director that it would be difficult for any justly-named filmmaker to deny that his peculiar, trenchant and altogether unique vision is one that remains unsurpassed in his nation's cinematic tradition.

Stephen Amidon



Stuart Hepburn and Alison Peebles

INTERNATIONAL ARTS GUIDE

ATHENS

Odeon of Herodes Atticus Tonight, Sat. Sun: Kirov Ballet in Yuri Grigorovich's production of *Raymonda*. Next Tues, Wed: Riccardo Muti conducts Vienna Philharmonic Orchestra in symphonies by Mozart, Beethoven, Haydn and Bruckner. Sep 9, 10, 12, 13: Lyon Opera Ballet (01-322 1459). Sep 18, 19 at Megaron: Giulini conducts Orchestra of La Scala (01-728 2333/01-722 5511).

BOLOGNA

Teatro Comunale The autumn concert season opens on Sep 23 with an orchestral programme conducted by Jiri Kouřil, featuring violin soloist Viktor Troitskov (Biglietta, Ente Autonomo Teatro Comunale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999).

GENOA

Teatro Carlo Felice The Odessa

Opera gives the first of four guest performances of Tchaikovsky's *The Maid of Orleans* on Sep 22 (010-589329).

LONDON

THEATRE
● *The Devil's Disciple*: Bernard Shaw's 1897 satire on melodrama, set during the American War of Independence, is directed by Christopher Morahan. The plot features the romantic villain, Dick Dudgeon (played by Richard Bonheville), a disgrace to his family, who is driven to an act of goodness through his own innate virtue. Previews start tonight, opens Sep 8 (National 071-926 2252).
● *Design for Living*: Sean Mathias, one of Britain's leading young directors, takes a fresh look at Noel Coward's menage à trois who reject conventional values. The cast includes Clive Owen, Paul Rhys and Rachel Weiss. Previews start tonight, opens next Tues (Donmar Warehouse 071-389 1732).
● *The Winslow Boy*: this new production of Terence Rattigan's 1946 play marks the latest step in the Rattigan revival. Peter Barkworth plays the stiff upper-lipped father trying to prove the innocence of his 14-year old son, who has been expelled from Royal Naval College (Globe 071-494 5085).
● *The Miracle Worker*: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyndhams 071-389 1738).
● *The Cryptogram*: Lindsay Duncan and Eddie Izzard star in

David Marnet's tantalising new play about betrayal (Ambassadors 071-836 1171).

● *Arcaadia*: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 8800).
● *Dead Funny*: Terry Johnson's brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987).
● *She Loves Me*: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same perfume shop. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888).

CONCERTS

Royal Albert Hall The Proms continue till Sep 10. Tonight: Esa-Pekka Salonen conducts the Los Angeles Philharmonic, followed by a late evening concert by the London Sinfonietta. Tomorrow: Carlo Rizzi conducts Orchestra of WNO. Sat: Günter Wand conducts BBCSO in Schubert's Eighth and Ninth Symphonies. Sun: Richard Hickox conducts Malcolm Arnold's Second Symphony and Orff's *Carmina Burana*. Mon: Andrew Davis conducts BBCSO in Boulez, Madama and Berg. Tues and Wed: Colin Davis conducts Dresden Staatskapelle (071-823 9998). Barbiican Tonight, tomorrow: Victor Borge. Sat: Neville Martinson conducts Academy of St Martin in the Fields in Berlioz, Beethoven and Brahms, with violin soloist Kyoko Takezawa. Sep 21, 22: opening of London Symphony Orchestra's Mahler festival. Sep 29: LSO 90th birthday concert (071-838 8891).

Wigmore Hall An International Festival of Song opens on Sat, with a programme featuring Barbara Bonney, Aeneas Sola of Otter, Kurt Streit and Olaf Bir, accompanied by Helmut Deutsch and Bernd Forsberg. Other recitalists in the series are Christian Oetzel and Hans Peter Blochwitz (Sep 4), Dawn Upshaw and Bär (Sep 6), a Bonney solo recital (Sep 8), Christine Schaefer and Karl-Magnus Frederiksson (Sep 13), Jennifer Lammore (Sep 15) and June Anderson (Sep 20). The Nash Ensemble plays new chamber works by Henze on Sep 20 (071-935 2141).

OPERA
Covent Garden The Royal Opera's 1994-5 season opens on Sep 12 with a revival of Verdi's *Macbeth*, with a cast headed by Sharon Sweet. La Cenerentola is revived on Sep 26, and the first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet's first performance will be the British premiere on Nov 3 of Anthony Dowell's new production of Sleeping Beauty (071-240 1066). Coliseum English National Opera's new season begins on Sep 12 with a new production of Tosca, staged by Keith Warner and conducted by Alexander Gibson, with a cast headed by Rosalind Plowright, David Rendall and Henk Smi (071-836 3181). Sadler's Wells British Youth Opera opens a short season tonight with Eugene Onegin (repeated Sep 2, 15, 17), in repertory with Rossini's *The Thieving Magpie* (Sep 1, 3, 14, 16). Next week is devoted to performances by Wadalko Ichiro

Drummers (071-278 8916). Queen Elizabeth Hall The final performances of Opera Factory's production of Nigel Osborne's *Servants* opens tomorrow and Sat (071-928 8800).

MILAN

Teatro alla Scala The Zeffirelli production of La bohème is revived on Sep 17 for six performances starring Mirella Freni, Roberto Alagna, Nicolai Ghiaurov and Gino Quilico (02-7200 3744).

STRESA

The chief selling point of Stresa's music festival is its situation on the shore of Lake Maggiore in northern Italy. This year's highlights include the pianist Jörg Demus (Sep 7), Marina Argenchi (Sep 11) and soprano Kalia Ricciardi (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (0323-31005).

TURIN

Settembre Musica Turin's annual music festival opens on Sat with a concert at the Teatro Regio by the Vienna Philharmonic Orchestra under Riccardo Muti. Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra under Riccardo Chailly and the London Symphony Orchestra under

Michael Tilson Thomas. There will also be concert performances of Gluck's *Orfeo* and Debussy's *Pelléas et Mélisande* (011-562 0450).

WARSAW

This year's Warsaw Autumn contemporary music festival (Sep 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 16) in a programme devoted to Lutoslawski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter. Antoni Wit conducts the Polish Radio Symphony Orchestra in Panufnik's *Sinfonia di Sfera* (Sep 18), while Klagfonturm Wien devotes a whole programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtime programme on Sep 17 entitled *Hits from the Sixties to the Nineties*. Among the foreign composers represented this year are Henri Dutilleul, Magnus Lindberg, Bright Sheng, Salvatore Sciaccino, Elliott Carter and Cornelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland (tel/fax 022-310607). During the period Sep 12-25, all enquiries to Warsaw Autumn, Hotel Europejski, Krakowka Przemyskiego 13, Warsaw (tel 022-265051 fax 022-261111).

ARTS GUIDE

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Bedrock unionism survives OK



BOOK REVIEW

Since 1979 British trade unions have lost about a third of their members, and union strength is now concentrated in the public services. Their membership is particularly weak among women and in business sectors showing the fastest employment growth.

At the same time, union political power has been much weakened. The abolition of National Economic Development Office and other tripartite bodies has cut them out of much decision-making. And Tony Blair has clearly stated unions will not have a privileged position in relation to a future Labour government.

It is not surprising, then, that there should be a debate about whether the movement has a future, in anything like its present form.

The *Future of the Trade Unions* presents the case for the defence. Commissioned by the Trades Union Congress, the book is unashamed in advocating a strong future role for the unions. There is bluster-inducing praise for general secretaries. We hear a lot of John Monks and Bill Jordan but, strangely, there is no mention of Arthur Scargill (or Jimmy Knapp), though John Edmonds is allowed a few observations. Reacting to the fall in membership he grumbles: "Working people should be queuing up to join trade unions."

But Taylor's case, though highly partial, deserves attention. He says unions have begun to put their house in order and can look confidently to the future.

His main reason for optimism is that the European Union is re-establishing a framework in which trade unions have a privileged position in policy-making. The "social dialogue" formalised in the Maastricht treaty requires the Commission to consult employers and unions on projected social legislation. Agreements reached by the social partners can be adopted by the Council of Ministers.

When this procedure was first tried - over European works councils - it did not

THE FUTURE OF THE TRADE UNIONS

By Robert Taylor

Andre Deutsch £9.99, 238 pages

result in agreement. Yet the Social Affairs Council seems likely to implement a directive establishing such councils, now called European committees, in big European companies (many with UK parents). British unions see a re-entry point here. As Taylor says in summarising his second argument: "The EU has provided not just a lifeline for the trade unions, but the means for a potentially effective counter-offensive by organised labour for the rest of the 1990s."

His third argument is that the key to enhanced competitiveness is consensus in the workplace and unions are the path to this consensus.

It sounds persuasive. So why are most employers still unconvinced that institutionalised works councils will help their businesses? And why do many prefer routes to better communication with their workforces which do not pass through union channels?

There are two main reasons. First, UK employers note that elsewhere in Europe works councils are not exclusively union-based structures. In France, "enterprise committees" represent the whole workforce. While union representation is often prominent, unionisation is remarkably weak. Yet many British trade unionists talk as if European works councils will re-establish unions' exclusivity. Mr Edmonds has said bluntly: "If we succeed, works councils would become our dream solution to the problem of declining trade union power."

Taylor himself points out that instances in which the trade union is the single channel of representation are not compatible with support for universal civil rights for UK workers on a Continental model. But it is not clear that the British trade union movement has yet accepted this.

Employers' second concern is that many union leaders seem still to believe the interests of employers and employees are mutually exclusive.

Taylor's own writing provides two vivid examples.

He contrasts British employers' "commitment to deregulated labour markets" with the attitude "of their European mainland counterparts who have a sense of social and ethical responsibility for the well-being of their employees". Such generalisation is absurd and offensive. He argues, similarly, the decline of trade union-based collective bargaining means employers have no "need to behave in a civilised manner towards their workers". This ignores the point that well-treated, involved employees will show greater commitment to a business and be more productive.

There are unscrupulous employers against whom individual employees need protection. But most companies do not see their relationship with employees as a zero-sum game. They are keen to develop participation, and surveys show they are, overall, succeeding.

Employers are, today, not in principle hostile to unions. There is no evidence that they have forced the pace of union decline through deregulation. Indeed in the private sector union membership has fallen far faster than recognition.

And very few employers now say they have been unable to achieve restructuring because of union obstructionism.

But bad memories die hard, and have been reawakened by the behaviour of RMT, the transport union, in the rail dispute. (RMT is not mentioned by Taylor.) So employers will be reluctant to support a more prominent role in policy-making for trade unions, or Continental-style legislation, until more union leaders are ready to accept the consequences.

That means greater identification with an enterprise's success and acceptance of non-union channels. Some in the union movement, notably the TUC leadership, understand the implications of those choices. But this book shows there are many Fliststones still on the general council.

Howard Davies

The author is director general of the Confederation of British Industry.

World drugs groups are scrambling for position in the market for drugs that can be sold without a doctor's prescription. This week's \$2.9bn acquisition by UK-based SmithKline Beecham of the retail healthcare business of US pharmaceutical group Sterling Winthrop was the largest, but not the first in a series of deals by groups jockeying for position in the "over-the-counter" market.

But in spite of their fashionability, non-prescription pills are unlikely to prove a panacea for drugs companies troubled by slowing sales growth that has resulted from government attempts to curb healthcare costs. While some may generate long-term profits, the high costs of launching and marketing products in a competitive sector means many may fail to make decent returns.

For now, the over-the-counter market appears deceptively attractive. SmithKline Beecham estimates world sales in the market last year rose by 7.1 per cent to \$32.5bn. IMS International, the London market research company, forecasts the US market should increase from \$17.4bn last year to \$24.2bn by 1997.

For drugs companies, the non-prescription market offers an opportunity for growth when other areas of their businesses are under pressure. The prescription medicines sector expanded by only 4 per cent in 1993, says IMS.

But it is not just the lacklustre performance of other sectors which is fuelling interest in the over-the-counter market. "The basic driving force is the need of governments to rein back healthcare spending," explains Mr Chris Weighell, strategic planning manager of IMS International. "In many cases, particularly in Europe, health ministries are refusing to reimburse the cost of drugs, forcing patients to pay for the medicines themselves over the counter," he says.

The pharmaceutical companies are also keen to sell former prescription-only medicines over the counter because it allows them to extend the product-life of their drugs. This has become increasingly important for the drugs groups because patents on half of the 50 top-selling US medicines will expire in the next four years. Broker Goldman Sachs estimates that this year alone 17 drugs with combined US annual sales of \$2.5bn will lose patent protection.

That would be serious in any circumstances - in the past

Paul Abrahams on why drugs companies have their eyes on the market for non-prescription medicines

Pepped up for the counter-attack



drugs companies assumed that they would lose 50 per cent of revenues within two years from drugs whose patents have expired - but the impact now is greater. Producers of identical, non-patented "generic" drugs are entering markets earlier once patents expire. The result is a fall in prices: the price of generic versions of Naprosyn, made by US drugs company Syntex, fell by 96 per cent after its patents expired in January. Some drugs companies have even launched generic versions of their own drugs before patent expiry.

To combat such pressures, companies selling patented drugs are trying harder to market them as over-the-counter products in the run-up to patent expiry. "If they can create a strong brand, the product can generate revenues for decades," says Mr Peter Glynn-Jones, managing director of strategic development at SmithKline Beecham consumer healthcare.

The pharmaceutical groups manufacturing prescription-only drugs, have an advantage in the over-the-counter medicines market: "Critical to the success of over-the-counter medicine is its prescription-only heritage," says Mr John Walsh, president of US group Warner-Lambert's consumer products division. "Ten of the top 11 over-the-counter products in the US were previously prescription-only medicines." Among the medicines whose patents expire soon and could, assuming regulatory approval is granted, be sold without a prescription are some of the world's top-selling drugs. They include anti-ulcer drug Zantac, Glaxo's best-selling medicine, and Zovirax, Wellcome's herpes treatment and the world's fifth largest selling drug.

The sales potential of such drugs is, in theory, huge: sales of prescription products have been known to increase more than five-fold. Take Gynex-Lorin, a virtually unknown prescription anti-fungal medicine for vaginal infections marketed by US company Schering-Plough. Prescription sales in

1990 were worth only \$22m. A year later, after being launched as an over-the-counter product, sales reached \$120m.

But in spite of the rapid projected growth for the over-the-counter market, many drugs groups which want to enter the over-the-counter market do not

"Ten of the top 11 over-the-counter medicines in the US used to be prescription-only"

have the expertise, international distribution network, or size to succeed. "The pharmaceutical groups are good at discovery, development and marketing to doctors. That expertise does not carry over well to over-the-counter," says Mr Walsh at Warner-Lambert. "Scale is vital. In order to earn a good return on your

investment you have to have a good range of products to reach the shelves of the pharmacist or supermarket. You also need size to achieve the purchasing power to swing good deals in consumer advertising," says Mr James Dudley, managing director of consultancy James Dudley International. SmithKline Beecham bought Sterling Winthrop's business partly because of the latter's expertise in selling over-the-counter drugs such as Panadol, the world's best-selling painkiller after aspirin.

Many large groups which have drugs they want to become over-the-counter products but which have little presence in the non-prescription market, have admitted their weakness and set up alliances with companies strong in consumer marketing. Glaxo and Wellcome have forged separate pacts with Warner-Lambert. Merck has teamed up with Johnson & Johnson, the US

consumer products group.

Yet such alliances will not guarantee sales success. Despite the growth of the total over-the-counter market, it is a tough environment. Unlike Schering-Plough's drug Gynex-Lorin, which was launched into a market with no established rivals, sales of many drugs may not exceed their pre-patent expiry prescription levels. Aleve, for example, Syntex's over-the-counter version of Naprosyn, is competing in the competitive market for analgesics (painkillers). Brokers Lehman Brothers expect it to generate sales in the US of no more than \$200m a year, compared with prescription sales of \$1bn last year.

Similarly, the market for indigestion treatments is likely to prove exacting, with four similar new over-the-counter products being launched over the next two years. Lehman Brothers predict US non-prescription sales of SmithKline Beecham's Tagamet will reach only \$150m by 1996. That compares with pre-patent expiry sales of \$650m last year.

Even if decent sales are achieved, profitability is far from immediate. The launch and marketing costs are so high that typically products do not break-even for at least three years, says Mr Glynn-Jones.

If profits are made, margins are likely to be less attractive than in the prescription business. Boots Healthcare International, the non-prescription business of Boots, the UK retailing and pharmaceuticals group, estimates a successful over-the-counter company can achieve margins of 16 per cent. In contrast, brokers James Capel reckon a well-run drugs group can achieve operating margins of 29.3 per cent.

Such sales and earnings projections, as well as the recent alliances and acquisitions, assume that prescription products will be cleared by regulatory authorities for sale over the counter - but at least in the US such clearance has proved far from automatic. The Federal Food and Drug Administration advisory committees have refused to recommend, at least for the moment, SmithKline Beecham's Tagamet, Merck's Pepcid, Wellcome's Zovirax, and Upjohn's Rogaine. They have yet to be convinced the drugs would be safe and effective when sold over the counter.

In spite of relatively fast market growth, the road to profitability over the counter sales is far from uneventful.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Ideas for UK healthcare imaginative

From Mr Malcolm Coles and Mr Peter Welch

Sir, The government and the Labour party should respond more positively to the imaginative ideas of Mr Peter Griffiths, former deputy chief executive of the National Health Service, on the delivery of healthcare ("Bottomley in row on private healthcare", August 24). The role of government is to ensure that a "public" service such as healthcare is available to all, but not necessarily to supply it via a public sector monopoly.

The delivery of public services should meet three criteria. First, the services should be provided efficiently. Second, users should have a choice of

providers. Third, service providers should be accountable to their users.

In a simple tax-funded system, however, the supply of services is not sufficiently driven by the choice of users, let alone accountable to them. Instead, government chooses what to supply, and the signals which a market automatically generates are missing. Furthermore, the efficiency of the provider is difficult to measure. Attention is focused on how much government spends rather than what the government gets for its money.

The separation of purchaser and provider allows competition among providers and permits greater measurement of

efficiency. However, even in an "internal market", such as the NHS operates, the provider is accountable to its paymaster not to its user. It is disappointing that the secretary of state is quoted as saying that trusts should be accountable to her, not to patients and the local community.

Plans for the future delivery of "public" services should correct the imbalance between purchaser and user, and create structures which are market-driven and socially based. In a recent pamphlet for the Fabian Society, we put forward ideas for restructuring NHS Trusts, along similar lines to those of Mr Griffiths. We proposed applying mutual principles to

the delivery of healthcare. Government should guarantee, and subsidise, the right to membership of a mutually structured healthcare provider. The actual choice of provider would be left, so far as possible, with the user. Contrary to perception, most "private" healthcare is already provided by mutual suppliers.

Thinking on the delivery of "public" services needs to be more radical. Mr Griffiths' contribution to the debate should be welcomed. Malcolm Coles, Peter Welch, Malcolm Hurston Corporate Consultancy, 2 Ridgmont Street, London WC1E 1AA

Fair access key to financial markets

From Mr Kenneth Whipple

Sir, Frances Williams missed a critical point in the article, "Unfinished Business in Uruguay Round" (August 16). She characterised ongoing negotiations on financial services as "...in essence a bilateral argument between the US and Japan...". From the US financial community's perspective, this is incorrect.

While it is true that some segments of the US financial services sector still face market access and national treatment issues in Japan, many of the significant problems confronting US financial services providers are in the developing markets of Asia. Simply stated, US financial markets remain wide open to entry by foreign

financial firms. On the other hand, US financial firms face barriers limiting their ability to penetrate markets abroad.

In many promising markets, they are prohibited from establishing or expanding operations. Other problems run the spectrum from denial of access to local debt markets to discriminatory or unpublished licensing procedures.

Singling out Japan misses the point of the financial services negotiations - a successful financial services agreement must achieve substantial liberalisation across a wide range of commercially important countries. At the conclusion of the round in 1993, virtually no meaningful commitments had been made.

Acceptance of offers on the table would have locked US financial markets permanently open while foreign markets would have remained closed.

CSI Financial Services, a private sector coalition of US financial firms and associations, remains committed to the position it has taken throughout the negotiations - open access to all financial markets sets the foundation for increased economic growth and job creation. That was the goal of the Uruguay Round, and continues to be the goal of the services negotiations.

Kenneth Whipple, chairman, CSI Financial Services Group, 818 Connecticut Avenue, NW Washington DC 20006, US

Not yet last of a line

From Mrs Florence Gilles

Sir, I would question the statement in your news item "End of the line" (August 27) about the last button A and B pay phone being in the Shetland Isles.

During a sailing holiday to the Shetland Isles in the inner Hebrides my husband and I visited the island of Soay off the south coast of Skye. There, on August 1 1994, we saw a telephone box with buttons A and B and powered by solar panels. I suspect it is still there.

Florence Gilles, Czeran Cottage, Eriska road, Lellog, Oban, Argyll

Allegations against Body Shop lack any real evidence

From Mr Robin Bines and others

Sir, As environmentalists with knowledge of both the Body Shop and the ethical sector, we wish to ask why it appears that the FT, along with the rest of the media, is singling out the company and its credentials for attack; and largely on the basis of what seem to us to be both unproven allegations and facts blown out of all proportion.

There can surely be few people who really doubt that the Body Shop is one of the leading companies in the field of social, ethical and environmental policy. While there may be compa-

nies which will go to greater pains in one particular sector of business, you would be hard pushed indeed to find another company which goes as far in almost every aspect of its business. Which other company even thought of building a wind farm to cover its energy needs in the UK?

Of course the Body Shop is not perfect. It has its share of disputes with franchisees, minor spills and business misadventures. It is, however, a good example of a successful yet caring company with priorities way beyond the usual profit motive, and in a world where business ethics are all

too often sadly lacking. Yet your critical articles would suggest sizeable problems.

So what purpose do these reports serve in a respectable paper like the FT? Are they an attempt to engender debate about some of the serious issues facing business today? Or do they merely perpetuate the cynicism so often aimed at anyone who tries to inject a real sense of purpose into almost any field, be it politics, business or the arts?

If there are genuine grounds for complaint, let us hear real evidence. If not, try attacking companies which have yet even to consider a social, ethi-

cal or environmental policy, let alone implement it.

We desperately need to encourage businesses, consumers and green investors to develop the kind of ideas that the Body Shop espouses, and to put them into practice. Articles like those in your pages over the last few days can only make them all wonder whether it is really worth the effort. Robin Bines, Sam Parks, Jonathan Porritt, Charles Secrett, Bernadette Valley, c/o Charlton Court, Mouse Lane, Steyning, West Sussex BN26 3DG

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1 Proprietor/Self-Employed/Partner

2 Employee

3 Consultant

4 Retired

5 Student/Unemployed

6 Financial Services

7 Construction

8 Other Services

9 Transport/Travel/Communications

10 Distribution/Retail/Wholesale

11 Extraction (Oil/Gas/minerals, etc)

12 Manufacturing/Engineering

13 Other (Please state)

Types of investment currently held

1 Financial Services

2 International Equities

3 Overseas Deposits

4 Property

5 Bonds

6 Pension/Mutual Funds

7 UK Trusts/Mutual Funds

8 Other International Investments

9 None

Which of the following do you have?

1 Credit Card (e.g. Visa)

2 Gold Card

3 Charge Card (e.g. Amex)

4 None

Japan unveils Y100bn cultural project to atone for war record

By William Dawkins in Tokyo

Japan took a further significant step yesterday in its efforts to atone for second world war aggression with a pledge to spend Y100bn (\$1.01bn) on historical research and cultural projects to promote peace in Asia.

"It is imperative for us Japanese to look squarely to our history with the peoples of neighbouring Asia and elsewhere," said Mr Tomiichi Murayama, the prime minister, who yesterday unveiled the 10-year programme, beginning next year, the 50th anniversary of the end of the war.

However, a foreign ministry official emphasised that the bandaid marked no change in the policy of refusing further off-

cial government compensation for individual war victims and their families. Japan argues that this was formally settled by the 1951 San Francisco peace treaty.

The new money is instead earmarked for the creation of a historical war document centre in Japan, vocational training centres for women in neighbouring Asian countries and youth exchange visits.

As a result, Mr Murayama's scheme is unlikely to defuse continuing claims from British and Dutch prisoners of war and Korean women forced into prostitution by invading Japanese troops. These claims are tributes to Japan's painstakingly slow attempt to raise its profile in international affairs and to bolster relations with increasingly

valuable Asian neighbours. South-east Asia has formed Japan's largest export destination for the past three years and is its fastest growing investment location.

Three successive Japanese prime ministers over the past year have issued various statements of regret and apology in a campaign to normalise relations with Asia. Mr Murayama returned recently from a four-country Asian tour, largely devoted to trying to atone for the past.

The effect of Japan's official apologies has been spelt by an outspoken lack of contrition from Japan's political right wing, including two cabinet ministers sacked over the past six months for trying to justify Japan's war-

time actions. Undeterred, Mr Murayama yesterday repeated apologies to women forced into prostitution and reiterated "profound remorse" for suffering caused by Japan.

He also said the government aimed to settle "as soon as possible" the plight of Koreans stranded in the Russian island of Sakhalin after the war and wages owed to Taiwanese soldiers in the Japanese army, two other constraints on Japan's relations with its Asian neighbours.

The government estimates that 43,000 Koreans, used for hard labour by Japanese forces, were left in Sakhalin when it reverted to Moscow's hands after the war. It faces 2.4m claims from Taiwanese for savings and unpaid wages worth Y600m at 1945 prices.

Kohl's smiles fail to hide Moscow-Berlin divisions

By Judy Dempsey in Berlin

German chancellor Helmut Kohl and Russian president Boris Yeltsin congratulated each other yesterday on the departure of Russian troops from Germany after a presence of five decades, but the lingering divide between the countries echoed in their speeches.

Despite the smiles Mr Kohl was determined to use the occasion to boost his re-election chances next month. He was elected in 1990 after convincing Russia it would not be threatened by German unification.

A shaky Mr Yeltsin frequently referred to the role of Russian troops in saving Germany from the "tyranny and terror" of Hitler and also to the 12m Russians who had died while ridding Europe of the Nazis.

Mr Kohl reminded the audience at the Schauspielhaus, east Berlin's beautifully restored concert hall, that it had, in fact, been "the pact between the dictators Hitler and Stalin that removed the last barrier to the war which the National Socialist tyranny unleashed shortly afterwards".

And he explained why he had opposed the Russians joining in next week's ceremony saying farewell to British, US and French troops from Berlin.

"Terrible harm was done to the Russian people by the Germans and in the name of the German people... but we Germans were destined to live through the painful division of our country," he said.

"The blockade of Berlin, the totalitarian regime in the east of our country, the Wall and

barbed wire were a heavy and lasting burden on our relations." Mr Yeltsin tried another tack. He praised the Conference on Security and Co-operation (CSCE), a non-military organisation grouping western, eastern Europe and the former Soviet republics. This, he said, was "the real forum for stability and security from Vancouver to Vladivostok".

Mr Kohl did not mention the CSCE. Instead, he said the "signed agreements between Russia and Nato on Partnership for Peace, and on co-operation with the European Union are essential building blocks for the European House".

German defence officials dutifully nodded in agreement, but the divide between the two leaders was by now painfully apparent.

CDU plan for EU reform

Continued from Page 1

Democrats (CDU) in the German Bundestag, and Mr Michael Glos, his counterpart in the Bavaria-based Christian Social Union, the coalition partner.

Its presentation comes just two days after publication of an interview by Mr Edouard Balladur, the French prime minister, in which he spelt out a similar vision of a multi-speed Europe.

It is clear that the political leaders in both Paris and Bonn have decided that their ideas on the next phase of EU reform - the follow-up conference to the Maastricht treaty scheduled for 1996 - must now be brought into the open. That is in spite of the sensitivity of many of the issues involved, given the looming referendum on EU membership in Finland, Norway and Sweden.

However, the fact that both Mr Kohl's CDU and Mr Balladur are now giving their open blessing to the concept of a multi-speed Community may ironically make their vision of a "federal" Europe easier for British Euro-sceptics to swallow.

Mr John Major, the British prime minister, has already endorsed the idea in principle.

In his interview Mr Balladur said that enlargement to include the newly emerging democracies of central and eastern Europe would inevitably involve a degree of "diversification" in the structure of the EU, at least temporarily.

"For many years, no doubt, the European structure will involve a homogeneous central core, consisting essentially of France and Germany, obeying common rules in all areas of co-operation. Around it, will be countries ruled by differing laws, depending on whether they concern monetary matters, social affairs, defence, trade relations, financial relations, or foreign policy," he said.

Daimler-Benz has huge potential. This is not because the German behemoth has performed well in recent years but precisely because it has not. It has suffered from high engineering costs, over-staffing and a confusing mix of businesses. This means there is massive scope to turn its operations around.

The good news from Daimler's first-half figures is that the first fruits of restructuring are reaching the bottom line. There is more to come. It is not simply a matter of shedding jobs and shifting production to lower-cost locations. Daimler also needs to focus on those businesses where it can achieve global scale. Mercedes already fits the bill. Most of its AEG division, with the exception of rail systems, probably never can. Daimler's aerospace arm, however, is in between. For it to be a successful global competitor, rationalisation of the European defence and aerospace industries is necessary. In a few years, Daimler could turn itself into a streamlined motor, aircraft and train manufacturer - after which one could re-examine whether it makes sense for the three divisions to be yoked together.

The big risk for investors is that management could become complacent. With demand picking up, the company may think the pressure to perform is off. Yesterday's comments by the outgoing chairman, Mr Edvard Reuter, that this year's profits would be "thoroughly satisfactory" could cause some concern. The net profit margins of 1 per cent forecast by analysts are measly. Mr Jürgen Schrempp, the next chairman, should be aiming much higher.

Broadgate

The tussle over the future of London's prestigious Broadgate development is starting to resemble an elaborate game of poker. In addition to Rosehaugh and Stanhope, joint owners of Broadgate Properties, at least three sets of anxious bankers and an unknown number of potential buyers are involved. British Land, the most aggressive of the bidders, has already strengthened its hand by buying a 29.9 per cent stake in Stanhope itself. Talk of Stanhope's debt changing hands in the secondary market raises the suspicion that it, or another bidder, is trying to apply additional pressure.

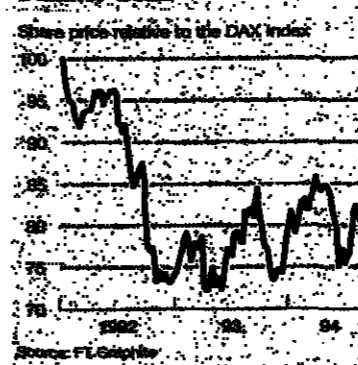
Whatever the truth on that score, it is the attitude of lenders rather than shareholders that will determine the final outcome. With the property mar-

THE LEX COLUMN

Daimler revs up

FT-SE Index: 3251.3 (+1.7)

Shares price relative to the DAX index



Source: FT-SE

ket moving in their favour, Rosehaugh's receivers and bankers have said that they are in no mood to sell their share of Broadgate for less than a full price. Since Stanhope is under pressure to restructure its £160m (\$248m) debt by the end of the year, though, the question is whether its syndicate of 15 banks is prepared to take an equally optimistic view. The £1.5bn target valuation of Broadgate by Stanhope's surveyors must encourage them to do so. If the heavy assumptions about rental growth prove to be correct it would make sense for Stanhope to retain an equity interest in Broadgate rather than selling at the first opportunity. After the disappointments of recent years, though, the bankers must be inclined to treat such forecasts with suspicion. The bidders must decide whether to call their bluff.

UK construction

Persimmon's comments on August house sales provided some cheer for its shares yesterday, but they still ended 20p below the rights issue price in March. Since then hopes of a sustained recovery in the housing market have been dashed. The sharp rise in the cost of fixed-rate mortgages and talk of the need for higher short-term rates stopped the improvement in its tracks in June and July. Persimmon's report of a pick-up in August confirms comments from other housebuilders but even these tentative signs have not been mirrored in the overall housing transaction figures.

While housebuilders with the right products are having little trouble making sales the problem with the second-

hand market is the dearth of decent supply. This in turn seems to be driven by the lack of house price inflation which has removed any sense of urgency from the market. The low level of house moves partly explains the depressed repair, maintenance and improvement activity which was highlighted by the weak sales of bagged cement reported by Rugby yesterday. But there appears to be more to it than that. Stagnant prices may have made householders question the value of adding that extension.

Such penny-pinching has prolonged the price war among the do-it-yourself sheds which has brought continued deflation for consumer building products. But with many of the sector's raw materials prices on the increase suppliers like Spring Ram are having to keep backing away at costs just to stand still. Without an uptick in house prices the sector's recovery could soon run out of steam.

BT

British Telecom's latest price cuts show that the company has learnt a thing or two about marketing. Reductions have been made by its regulator. But Ofcom determines neither the precise timing of cuts nor which services they should focus on. In the past, BT often announced a confusing jumble of price changes once a year. But the company has now woken up to the fact that the timing and focus of price cuts can be used to throw the competition off balance.

Cutting long-distance charges by up to 25 per cent is sensible since that is a market where competition from its main rival, Mercury Communications, is stiff. The timing looks designed to spoil the launch of Energis, which opened its long-distance service only this week. Further cuts can be expected to focus on international calls, where Mercury is also strong. But BT will probably hold fire until it has a better idea of the competition it will face from a new breed of international operators and so knows how to cause the maximum damage.

BT is also becoming smarter about presenting price cuts. It now picks one service at a time and so can articulate a clear message. That is essential if it is to persuade customers, who generally think that calls are more expensive than they actually are, to use their telephone more. None of this is rocket science. But investors will be pleased that BT's marketing department is no longer in the dark ages.

Italian coalition split reopens as Bossi attacks Berlusconi

By Andrew Hill in Milan

Mr Umberto Bossi, leader of Italy's populist Northern League, yesterday reopened a damaging split in the Italian government by accusing Mr Silvio Berlusconi, Italy's prime minister, of trying to cut the League out of the ruling coalition.

An agitated Mr Bossi, interviewed on television as he returned from holiday in Sardinia, also claimed that Mr Berlusconi had asked President Oscar Luigi Scalfaro for permission to hold new elections. This was dismissed by Mr Berlusconi.

"I won't waste time denying nonsense," Mr Berlusconi was reported as saying. "I'll have to propose a tax on chatter."

Mr Bossi's comments demon-

strate that three weeks' holiday has not healed the rift between the league leader and his coalition allies. "It's not possible to offend the league," Mr Bossi said, pointing out that his was the principal parliamentary party. "At this point perhaps we ought to give Berlusconi an ultimatum, if he goes on fooling himself that it's possible to throw out the league before we've passed an antitrust law or a new constitution," he added.

Mr Gianfranco Fini, leader of the third main coalition partner, the far-right National Alliance, said that Mr Bossi's behaviour was "puerile".

At the beginning of August, Mr Berlusconi and Mr Bossi held all-night discussions to patch up their differences. The next day

they appeared on Italian television together in an attempt to demonstrate to nervous financial markets and the Italian people that there were no hard feelings between them.

In the past three days, however, Mr Bossi has been incensed by reports that he claimed to have prevented an armed rebellion by league supporters in 1994-97. Mr Bossi has blamed "anti-democratic" reporters for exaggerating and distorting his comments, and has threatened legal action against television and newspapers for spreading "disinformation".

Mr Bossi's intervention is ill-timed, given that financial markets are just recovering their poise following last month's rise in Italian interest rates.

FT WEATHER GUIDE

Europe today

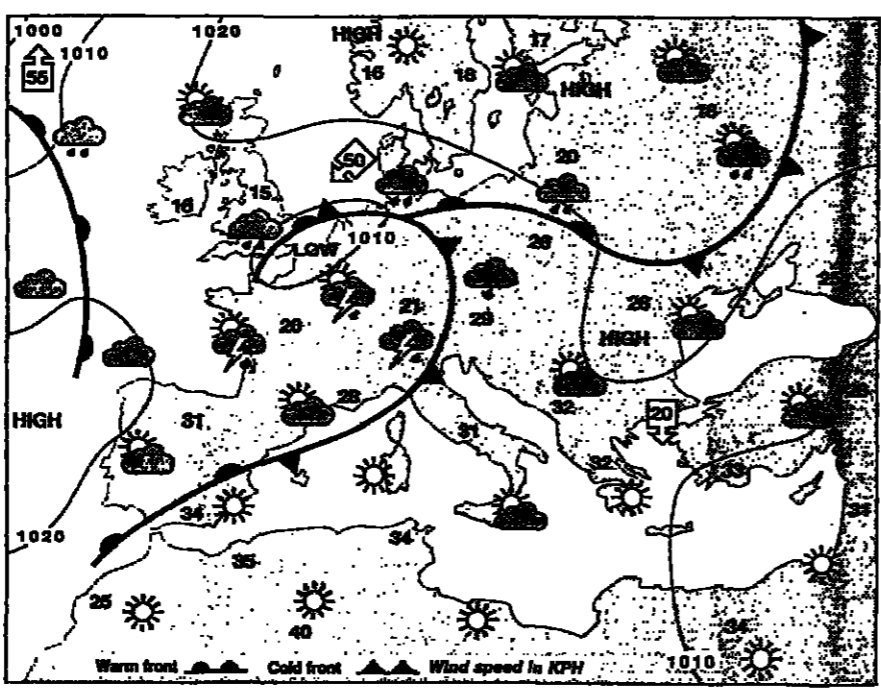
Showery rain associated with an area of low pressure over the Benelux will affect eastern England, the North Sea, Denmark and Poland. Some rain will be accompanied by thunder storms, especially over Denmark and Poland. North-west France will have moderate rain. Thunder storms will develop in the afternoon in south-west France, the southern Benelux and the Alps. North-west UK, central France, Germany and south-west Scandinavia can expect a mixture of cloud and sun. It will be sunny in central Scandinavia but there will be rain and showers in the north. Eastern Europe will have only a few glimpses of sunshine.

Five-day forecast

A high over Scandinavia will move towards western Russia, allowing unsettled conditions to develop in Scandinavia this weekend. Western Europe will be affected by low pressure from the Atlantic. Rain will develop over the UK by the weekend and will spread to the Benelux, northern France and southern Scandinavia. Southern Europe will remain sunny.

TODAY'S TEMPERATURES

	Maximum	Minimum	Cloud	Wind
Abu Dhabi	30	24	cloudy	20
Accra	28	24	cloudy	16
Algiers	26	20	cloudy	16
Amsterdam	18	12	cloudy	16
Athens	28	22	cloudy	16
Bahia	30	24	cloudy	16
Bombay	32	26	cloudy	16
Buenos Aires	28	22	cloudy	16
Cairo	30	24	cloudy	16
Calcutta	32	26	cloudy	16
Cape Town	28	22	cloudy	16



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Minimum	Cloud	Wind
Paris	20	14	cloudy	16
Frankfurt	20	14	cloudy	16
Geneva	20	14	cloudy	16
Glasgow	18	12	cloudy	16
Hamburg	18	12	cloudy	16
Heidelberg	18	12	cloudy	16
Hong Kong	32	26	cloudy	16
Honolulu	30	24	cloudy	16
Istanbul	28	22	cloudy	16
Jakarta	32	26	cloudy	16
Johannesburg	28	22	cloudy	16
Karachi	32	26	cloudy	16
Kuala Lumpur	32	26	cloudy	16
London	18	12	cloudy	16
Los Angeles	28	22	cloudy	16
Luxembourg	18	12	cloudy	16
Lyon	18	12	cloudy	16
Madrid	28	22	cloudy	16
Moscow	20	14	cloudy	16
Mumbai	32	26	cloudy	16
Manila	30	24	cloudy	16
Medan	32	26	cloudy	16
Meerut	32	26	cloudy	16
Mexico City	30	24	cloudy	16
Miami	30	24	cloudy	16
Montreal	28	22	cloudy	16
Muscat	32	26	cloudy	16
Nairobi	32	26	cloudy	16
Nagasaki	28	22	cloudy	16
Nassau	28	22	cloudy	16
New York	28	22	cloudy	16
Nice	28	22	cloudy	16
Niagara	28	22	cloudy	16
Osaka	28	22	cloudy	16
Paris	20	14	cloudy	16
Perth	28	22	cloudy	16
Puerto Rico	30	24	cloudy	16
Rangoon	32	26	cloudy	16
Riyadh	32	26	cloudy	16
Rio	30	24	cloudy	16
Rome	28	22	cloudy	16
Sao Paulo	28	22	cloudy	16
Seoul	28	22	cloudy	16
Singapore	32	26	cloudy	16
Sofia	28	22	cloudy	16
Stockholm	28	22	cloudy	16
Sydney	28	22	cloudy	16
Taipei	30	24	cloudy	16
Tokyo	28	22	cloudy	16
Toronto	28	22	cloudy	16
Vancouver	28	22	cloudy	16
Vienna	28	22	cloudy	16
Warsaw	28	22	cloudy	16
Washington	28	22	cloudy	16
Wellington	28	22	cloudy	16
Winnipeg	28	22	cloudy	16
Zurich	28	22	cloudy	16

We can't change the weather. But we can always take you where you want to go.

Lufthansa

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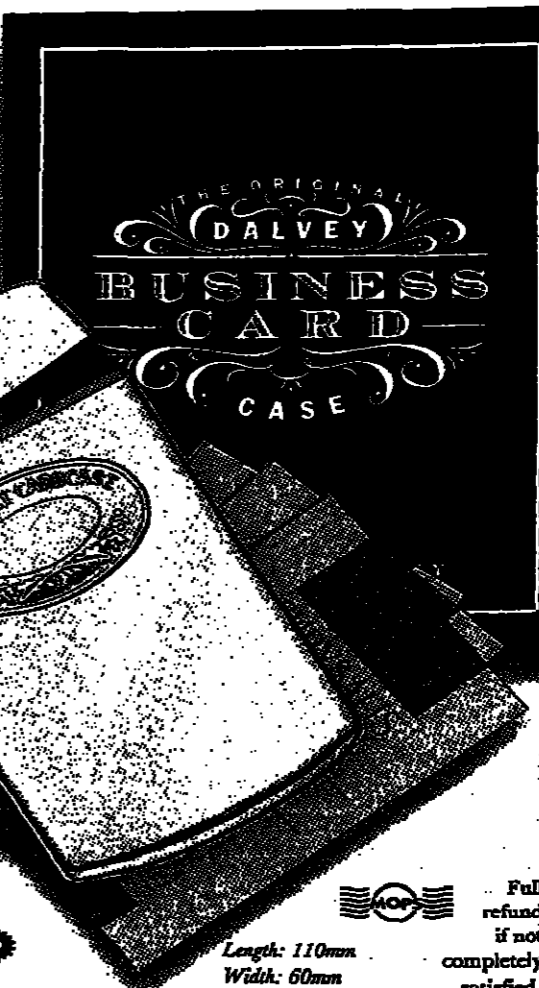
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Malaysia

PRELIMINARY REPORT FOR THE 15 MONTHS ENDED 30TH JUNE, 1994

The Directors announce that the unaudited results for the 15 months ended 30th June, 1994 were:

	Group	Company
	15 months ended 30.6.94	12 months ended 30.6.94
Turnover	RM2,813,373	RM2,813,373
Investment and other income	22,859	7,228
Operating profit	163,442	113,535
Associated Companies	10,112	8,986
Profit before taxation (See Note 1)	173,554	122,521
Taxation (See Note 2)	45,575	31,780
Profit after taxation but before extraordinary items	127,979	90,741
Minority interests	12,132	7,135
Extraordinary items (See Note 3)	143,434	16,565
Dividends	281,481	100,191
Retained for the period	176,839	31,695

NOTES

- After charging:

Interest	3,411	6,599	1,015	2,640
Depreciation	38,123	28,014	6,890	5,649
- Taxation includes:

Current	48,809	37,469	36,396	32,808
Deferred	225	(3,038)	4,677	(383)
Associated Companies	602	471	-	-
Deferred written back as a result of a change in statutory tax rate	(6,928)	(3,142)	-	-
Under provision in prior year	667	-	-	-
- The extraordinary items comprise the following:

Gain on compulsory land acquisition	136,149	14,053	-	-
Gain on disposal of investment	6,835	-	-	-
Profit on disposal of land	-	2,484	-	-
Group's share of extraordinary items of associated companies	450	-	-	-
Surplus on liquidation	-	28	-	-
	143,434	16,565	-	-

- There were no pre-acquisition profits included in the results for the period.
- No percentage change was computed as the current results are for a period of fifteen months which are not comparable with the previous year.
- The Company has changed its financial year end from 31st March to 30th June with effect from 30th June, 1994. The accounts therefore cover the fifteen months from 1st April, 1993 to 30th June, 1994.

1994 RESULTS

Profit for the fifteen months recorded an increase of 13% on an annualised basis over that of the previous year. The increase is due largely to higher contribution from property development, plantations and investment and other income.

	15 months ended 30.6.94	12 months ended 30.6.94
Profit after taxation but before extraordinary items as a percentage of turnover	15.3%	15.3%
Profit after taxation and minority interests but before extraordinary items as a percentage of shareholders' funds	5.2%	4.0%
Net earnings per share (in sen)	11.8	9.3
Net tangible asset backing per share	RM2.28	RM2.10

* The net earnings per share is calculated based on 999,803,499 (1993 - weighted average of 901,994,962) shares in issue.

EARNINGS

	15 months ended 30.6.94	12 months ended 30.6.94
Profit for the first six months after taxation and minority interests but before extraordinary items	37,541	31,039
Profit for the next nine months after taxation and minority interests but before extraordinary items	90,506	52,587
Profit for the fifteen months after taxation and minority interests but before extraordinary items	118,047	83,626

CURRENT YEAR'S PROSPECTS

The current year's crop production is estimated to be lower than the previous financial year on an annualised basis. In spite of this, plantations profit is expected to be better in the current year if the current trend of high commodity prices continues. Resource-based manufacturing and property development are also expected to enhance the Group's profit.

HARVESTED CROPS - TONNES

	15 months ended 30.6.94	12 months ended 30.6.94
FRB	1,676,895	1,199,806
Palm oil	323,980	238,717
Palm kernel	96,981	68,213
Rubber	38,294	37,938
Cocoa	10,878	11,244
Copra	6,256	6,668

DIVIDENDS

- The Directors will propose at the Annual General Meeting to be held on 28th September, 1994, a final dividend of 5 sen per share comprising 4 sen less tax and 1 sen tax exempt and a special dividend of 2 sen per share less tax, which will be payable on 24th October, 1994. If the dividend is approved at the Annual General Meeting, it is intended that the Transfer Books of the Company will be closed at 5.00 pm on 29th September 1994, for the preparation of dividend warrants.
- The first interim dividend of 5 sen per share less tax was paid on 25th April, 1994.
- The total annual dividend is as follows:-

	15 months ended 30.6.94	12 months ended 30.6.94
Sen Per Share	RM'000	RM'000
Gross	11	9
Tax exempt	1	1
	12	10

COPIES OF THE REPORT

A copy of the Company's Preliminary Report will be posted to shareholders on 5th September, 1994. Copies will be available from the Company's registered office and the Branch Registers, Barclays Registers, Bourne House, 34, Beckett Road, near BR3 4TU, United Kingdom.

KUALA LUMPUR
30th August, 1994

By Order of the Board
Nadia Abdul Samad
Secretary

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Ansett Airlines helps lift TNT

By Nikkai Tait in Sydney

A strong contribution from its 50 per cent interest in Ansett Airlines and continued improvements in core operations helped TNT, the large Australian transportation and package delivery group, to an equity-accounted profit after tax and abnormal items of A\$105.1m (US\$78m) in the year to end-June.

Group revenues were A\$5.65bn, up from A\$5.52bn previously. The result compares with a loss of A\$256.7m a year earlier, when TNT faced some heavy one-off charges.

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In the latest period, abnormal items contributed an after-tax surplus of A\$67m, partly due to gains on both asset sales and foreign currency movements at Ansett. In contrast to the 1992-93 charge of A\$212.1m.

However, even at the trading level, there was an improvement. Operating profit before tax rose to A\$127.5m from A\$14.8m on an equity-consolidated basis, and edged up to A\$45.8m from A\$44.5m on a statutory consolidated basis.

TNT said the advance was largely due to the turnaround at Ansett, and reduced losses in its GD Express Worldwide

business, its express delivery joint venture.

The company said that full-year results at GD Express were still below expectations, having been hindered by aggressive competition, although the fourth quarter was in line with estimates.

It said that the better economic outlook in main markets, coupled with cost reduction measures, should "bring substantial financial improvement in the current year".

The core Australian business saw operating earnings improve "significantly", while Canada also showed "an exceptional turnaround".

The UK business earned record profits, and Germany improved.

By contrast, TNT Spain saw losses mount, and no significant improvement is expected before the second quarter of the current year. Italy also remained difficult.

Interest charges last year fell to A\$71.1m from A\$93.6m, while the net debt to equity ratio fell to 0.92 from 2.18 at end-June.

Profit after tax and abnormal items on the statutory consolidated basis was A\$48.5m, compared with a loss of A\$133.7m last time.

There is no dividend.

Abnormal charges put MIM in red

By Nikkai Tait

MIM Holdings, the

Queensland-based metals

and mining group, yesterday

announced a A\$195.1m

(US\$145m) loss after tax in

the year to end-June, largely

resulting from heavy abnormal

charges. In the previous year,

it had made a A\$74m profit.

Revenues were A\$2.31bn, up

from A\$2.02bn previously.

The abnormal charges

amounted to A\$170m before tax

last year, compared with

A\$80.5m in 1992-93.

In large part, they were due

to the restructuring of MIM's

interests in Germany and

included a A\$95m write-off of

goodwill at the Duisburg zinc

smelter, in which MIM has

acquired a 100 per cent interest,

and a A\$60m provision for

the reduced value of its invest-

ment in Berzelius Umwelt

Service, the recycling business.

However, even at the pre-tax

level, and before exchange dif-

ferences, MIM made a much

reduced profit of A\$43.3m,

compared with A\$126.8m in

the previous year, with an A\$18.5m

loss coming in the fourth

quarter, against a loss of A\$13.2m.

The company said it had not

been a good year and it had

been hit by lower metal prices.

The average copper price, in

Australian dollar terms, was

down by 14 per cent from the

previous year, while lead was 7

per cent lower, and zinc down

by 9 per cent.

Higher volumes partly offset

this effect but the rising Aus-

tralian dollar diminished their

impact.

MIM is paying a final divid-

end of 2.5 cents a share, after

a similar interim.

TVB reports 70% profit rise

By Simon Holberton
in Hong Kong

Television Broadcasts, Hong

Kong's premier television

company, yesterday surprised

the stock market when it reported

a 70 per cent increase in first-

half net earnings to HK\$378m

(US\$66m) from HK\$163.5m

(US\$28m) in the first half of

TVB. These have since

fallen.

Mr Lau Siu-chuen, media

analyst at Morgan Stanley,

said there were a number of

special factors which helped

boost profits in the first half

compared with a year earlier.

The most important of these

was a change in the Hong

Kong government's advertising

royalties. A year ago the gov-

ernment took 12 per cent of

TVB's advertising revenues

but now takes 10 per cent.

TVB, as with all other Hong

Kong companies, has also

benefited from a 1 percentage

point cut in the corporate rate.

Mr Lau said he was holding

to his full-year profits forecast

of HK\$626.5m. Lehman

Brothers revised its expecta-

tions to HK\$732m from

HK\$630m.

Sir Run Run Shaw, executive

chairman, said he expected

satisfactory growth in profits

for the remainder of the year.

Directors declared an interim

dividend of 20 cents a share, up

33 per cent on the corresponding

period last year.

Artisan closure behind Spring Ram deficit

By Andrew Bolger

Spring Ram, the Yorkshire-based kitchen, bathroom and furniture group, is to close its loss-making Artisan Tile factory in Bradford.

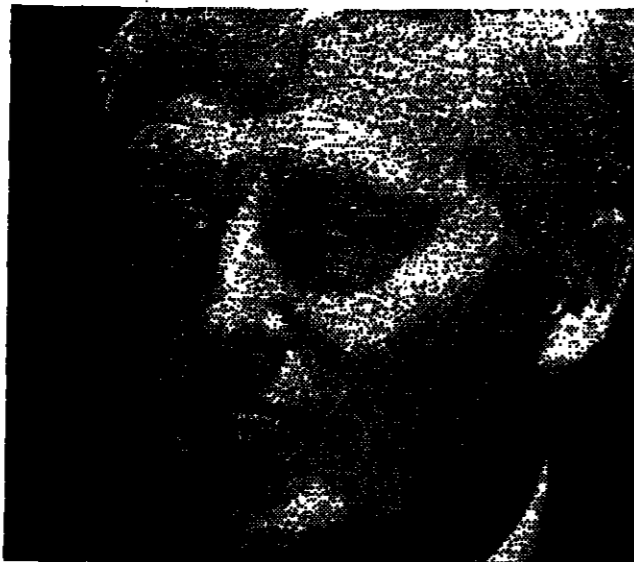
The new management, appointed after institutional investors forced a boardroom shake-out last year, said intense price competition from imports was likely to prolong the losses at Artisan, which started production in 1992 and lost £1m in the last six months. It employs 35 people, but the group hopes to redeploy about 30 of the workforce.

An exceptional charge of £2.5m for the closure pushed Spring Ram to a pre-tax loss of £1.1m for the six months to July 2. This compared with losses of £34.4m last time, which included £30.3m of write-offs and charges.

The group incurred an operating profit of £2.2m, compared with losses of £4.8m. Sales rose by 11 per cent to £18m.

Mr Roger Regan, chairman, said: "The extraordinary pricing conditions both in our home and international markets and in the UK economy as a whole, coupled with the first signs of increased raw material prices, make internal improvements in efficiency and productivity all important."

Spring Ram's kitchen division, its biggest and most profitable business, increased sales by 8.5 per cent to £9.6m, and operating profits rose from £4.7m to £5m. After a good first quarter for the division as a whole, the rate of sales growth in the UK home improvement market was checked in the second half of May and June.



Roger Regan: economic conditions mean a tough year ahead

Sales in the bathroom division fell to £28.3m (£29.7m), but the elimination of loss-making activities enabled the division to report operating profits of £100,000, compared with a loss of £3.2m last time.

The special products division, which includes Artisan, increased sales from £14.8m to £21.5m and cut operating losses from £7.1m to £4.7m. Turnover rose at Regency Doors, while operating losses fell.

Stag, the group's furniture business, increased sales by 21 per cent to £15.8m. Operating profits remained static at £500,000 as the group invested in new products for its living and dining room ranges.

Losses per share were 0.3p, compared with losses of 10.4p last time.

COMMENT

The new team at Spring Ram continues to make progress, but the sluggish trading environment and costlier raw materials mean they face a hard slog. Closure of Artisan will disappoint, but the losses could scarcely be maintained – the whole venture will have cost the group £9.5m since start-up, including the latest £2.5m exceptional charge. Analysts expect operating profits of about £6m this year, but all eyes are on 1995 and 1996 when profits could bounce back to £18m and more than £30m respectively. The shares, down 14p to 51p, are on a sky-high multiple of 36 this year, but that falls to 18 for 1995 and below 10 for 1996. They remain an attractive recovery play.

Domnick Hunter advances to £2.6m

By Andrew Bolger

Domnick Hunter group, the filtration and gas separation company floated in March, increased pre-tax profits by 29 per cent to £2.6m in the six months to June 30.

The results, coupled with an upbeat trading statement, bolstered the Tyne-side-based group's status as one of the most attractive of recent flotations. The shares, launched at 200p, yesterday closed 10p higher at 260p.

Sales rose by 17 per cent to £17.7m. The pre-tax figure was flattened by reduced interest charges after flotation; the underlying performance showed in operating profits, ahead 21 per cent to £2.72m.

Mr Brian Thompson, executive chairman, said: "A strong level of orders and sales continues into the second half and there is every indication that this situation should prevail for the remainder of the year."

The industrial division, which makes dryers and filters for compressed air and gases, benefited from an uplift in market confidence. In particular, sales of compressed air dryers were strong. Operating profit rose 27 per cent to £2.67m, on sales of £13.5m, up 18 per cent.

Mr Thompson said the group's new nitrogen generators were attracting "tremendous" interest. Sales increased by 50 per cent to £660,000 and there was "huge" scope for the generators, which produce nitrogen gas from compressed air at a fraction of the cost of cylinder supplies. A £2.5m extension to the industrial division's Birtley plant will increase space by 50 per cent.

He said the process division – which filters pharmaceuticals and liquids using sophisticated membranes – was still in the evolutionary phase of its development. Sales rose 14 per cent to £4.2m, but investment in overseas sales network was behind a fall in operating profits from £11,000 to £51,000.

Turnover fell from £17.4m to

Serco buoyed by organic growth

By Simon Davies

Shares of Serco firmed 14p to 287p yesterday as the facilities and contract management group reported sharp organic growth within a 38 per cent interim profits advance.

Turnover rose 46 per cent to £120m (£82.3m), with substantial new business gains helping existing operations expand sales by 21 per cent.

The pre-tax outcome increased from £4.35m to £6m, although 17 per cent of the increase came from three companies acquired in

the second half of 1993.

Mr Richard White, chief executive, said: "We see the trend we've set for organic growth being maintained."

Defence continues to account for close to 30 per cent of sales, and Mr White said there was substantial scope for new contracts, as the Ministry of Defence continues its efficiency drive by contracting out to the private sector.

Serco recently won the MoD contract for air traffic control at Gibraltar airport, in addition to winning the civil contract for a range of services

at Liverpool airport.

Other new business included a new contract for maintenance of London's traffic signals, giving Serco maintenance responsibility for two thirds of the capital's junctions. It also won a contract from Yorkshire Water for maintenance of its vehicles.

When Serco was listed, 10 per cent of its staff worked overseas. The figure is now closer to 30 per cent, as it has expanded primarily in the US and Asia Pacific, and is currently targeting Scandinavia and Germany.

Serco operates primarily under fixed rate contracts, of which about half are linked to an inflation index.

It remains sensitive to increases in wages, however, which form its largest cost.

Mr White said there were signs of increasing pressure on salaries, but he said that this was being factored into contract tenders.

Serco is paying a 1.25p interim dividend, an increase of 18 per cent. Earnings per share rose 25 per cent to 5.6p (4.5p).

Johnston Press up by 11% to £6.7m

By James Buckton, Scottish Correspondent

Johnston Press, the Edinburgh-based group which owns weekly newspapers throughout Britain, increased pre-tax profits by almost 11 per cent to £6.7m, against £6.02m, in the six months to June 30. Turnover improved from £41.5m to £44.3m.

Mr Fred Johnston, chairman, said market conditions were generally improving but growth in advertising revenues varied between different business sectors and regions.

The group is to disengage from its printing businesses

which lost £185,000 (£84,000). It hopes to sell the two companies – Wood Westworth at St Helens, Merseyside, and Yorkshire Communications at Wakefield, West Yorkshire – but if they will be closed. A provision of £507,000 has been made against either course of action.

Operating profit, which excludes the provision, was up 18 per cent to £6.96m (£5.9m). The results included a two-week contribution from Halifax Courier Holdings, acquired in June for £24.4m. This was the group's largest purchase and brought it its first daily newspaper, the Evening Courier in Halifax, as well as titles in West Yorkshire and the Isle of Man. The acquisition will boost annual turnover by between £10m and £12m.

Among the group's other newspaper interests, Scotland did well, with a strong rise in profitability. Newspapers generally improved their profitability in the north of England, the Midlands and Sussex.

Net borrowings were £2m at June 30, the group having been cash positive at the end of 1993. Gearing was 7.1 per cent.

Earnings per share rose from 12.9p to 13.5p. The interim dividend is raised to 2.75p, against 2.5p.

COMMENT

The shares have fallen from a peak of 68p in recent months, partly because the market assumed that as a newspaper company it must be suffering in the national price war. In fact only 5 per cent of its revenue comes from newspaper sales, the bulk coming from advertising. Yesterday the shares advanced 15p to 605p in recognition of its good performance and reliable growth record. UBS, the house broker, is forecasting pre-tax profits of £15.4m for the current year, for earnings of 31.5p and a multiple of 19. That seems realistic.

Restructured Beckenham turns in loss of £2.6m

Beckenham Group, the USM-quoted heating and ventilation engineer which has recently undergone a capital reconstruction, reported a pre-tax loss of £2.6m for the six months to April 30.

The deficit, which compared with losses of £186,000 last time, reflected "continuing difficult trading conditions, the heavy cost of completing long-standing contract commitments, and damage inflicted by the financial crisis the group has experienced", the directors said.

Turnover fell from £17.4m to

£13.4m and the pre-tax result was struck after an increased interest charge of £174,000 (£112,000). Losses per share emerged at 12.9p (3p).

The company also announced it had sold its Contract Components subsidiary to Simco 651 for £2.5m cash.

The sale would enable the group to concentrate its resources on the core ductwork businesses and to develop its fire protection activities.

It was also necessary to maintain the company's working capital and reduce indebtedness, directors said.

Ropner improves 22% despite mixed showing

Ropner yesterday announced a 22 per cent expansion in interim profits despite a mixed performance by its property investment, engineering and shipping activities.

On turnover up 33 per cent to £12m, the pre-tax line for the six months to June 30 rose to £1.9m, against £1.63m.

Mr Jeremy Ropner, chairman, warned, however, that it would be "unrealistic to expect the second half to show the same degree of improvement".

The property division performed well, he said, reflecting improved values at the start of

the year. Two properties were sold for £3.03m, some £60,000 above book value. The shipping side, which currently manages seven bulk carriers, lifted profits by 13 per cent to £389,000.

A full spot was engineering, where demand had been irregular. "We have suffered from significant fluctuations and have had to make some hard decisions," Mr Ropner said.

The interim dividend is held at 3.5p on capital increased following the enfranchisement of the A Capital. Earnings per share were 5.2p (4.2p).

Cairn falls 35% as oil price dips

By Peggy Hollings

Low oil prices hit Cairn Energy, the Edinburgh-based oil and gas explorer which yesterday announced a 35 per cent drop in interim net attributable profits to £416,000, compared with £641,000.

A 19 per cent decline in the average price of oil per barrel to \$13.54 offset the benefits of a rise in production. Turnover increased by 2 per cent to £5.4m, while production rose by 370 barrels of oil equivalent per day to 4,936.

The results included a three-month contribution from the on-shore assets acquired from Kelt Energy for £5.7m.

Earnings were 0.64p (1.21p) and there is no dividend.

It is proposed to dispose of a further stake in Cairn Energy USA, the US subsidiary, to raise a net £17.5m.

The UK group has over the last year been steadily selling shares in the US company to raise funds for exploration and to reduce debt. Including the proposed disposal, the group will have raised £33m from the share sales and issues since June 1993.

Cairn is proposing to sell 3.7m shares in CEUSA, reducing its holding from 54 per cent to 17.9 per cent. The resulting stake would be worth some £15m.

Mr Bill Gammell, chief executive, said the group intended to use the proceeds of the sale to increase its production and reserve base outside the US.

Psion more than doubled at £2.9m

By Alan Cane

Psion, the supplier of hand-held computers and communications equipment, maintained its recovery with profits more than doubled at the half-way stage.

The pre-tax outcome for the six months to end-June was £2.92m, against £1.07m, achieved on turnover ahead 57 per cent to £28.3m (£18.1m). Earnings per share were 8.65p (3.41p); the interim dividend goes up 10 per cent to 1.1p.

The results were above market expectations and the shares improved 11p to close at 285p.

Psion makes a range of hand-held computers, including the Series 3 family, aimed chiefly at consumer markets and the HC range for corporate use.

Mr David Potter, chairman, said each product area had shown good growth. Sales of the Series 3 and 3a jumped to

£16.7m (£8.15m) while sales of HC products almost doubled at £3.6m (£1.89m).

The older and cheaper Organiser II products saw sales decline just 15 per cent to £4.05m. The datacommunications division turned over £3.69m (£2m). Psion is a leader in credit-card sized modems – devices used to allow computers to communicate over telephone lines.

Mr Potter said the company now had 1,500 retail outlets in the US including Radio Shack and Office Depot. The market had been adversely affected by the relative failure of other manufacturers' "personal digital assistants" using pen-based technology, however, and an advertising campaign aimed at establishing brand awareness was planned.

Psion has cash of £242,000 and Mr Potter did not anticipate having to raise additional funds in the foreseeable future.

Prolific plans new trust

By Bethan Hutton

Prolific, the fund management subsidiary of Scottish Provident, is planning to launch its first investment trust to add to a range of unit trusts.

Prolific Income will be a UK income growth trust aimed at private investors, on similar lines to the existing Prolific High Income unit trust.

The unit trust yields about 3.3 per cent, and ranks 30 out

of 94 funds in the sector over the five years to August 1, according to Microcap.

The public offer is due to open on September 22 and close on October 13. Shares will be issued at 100p, with launch expenses capped at 4.9 per cent. Warrants will be attached on a 1-to-5 ratio, and the trust will have an initial life of 10 years. The annual management fee will be 0.8 per cent.

COMMENT

Analysts love this company, which attracts plaudits such as "a little gem" and "one of the best small companies I have ever seen". Its products are market leaders and more than 60 per cent of sales are exported to more than 40 countries. The dryer business is going well, and the new nitrogen generators have tremendous potential. The process division is also seen as a sound investment, in spite of its present modest profits. Alas, all this quality comes at a price, and forecast full-year profits of £5.6m put the shares on a prospective multiple of 23 – a 45 per cent premium to the market. The shares are tightly held, but those who are lucky enough to have got on board still have no reason to sell.

British Steel talks

British Steel is in talks with AG der Dillinger Hüttenwerke and Mannesmannröhren-Werke about setting up a joint venture involving large diameter welded pipe businesses.

for M&B £3m (£47.5m) to Winwill Investment and Welwyn Investment, conditional on shareholders' approval.

The buyers will grant a tenancy of the buildings to RFMS until no later than February 1998.

The sale will result in an expected gain of M&B £3.4m.

Vision Express

Vision Express, the optical retailer, has concluded a £30m equity investment with GC Companies, Advent International Corporation and Bessemer Venture Partners giving them a total holding of 36 per cent.

In 1993 Vision reported pre-tax profits of £5.9m on turnover of £61m.

Greycoat

Greycoat, the property developer, has sold Regent Arcade House in Regent Street, London, to Threadneedle Property Fund Managers for £11.4m.

The purchase price reflects a net initial yield of 5.6 per cent and an equivalent yield of about 7 per cent.

Geest

Geest, the fresh produce and prepared foods company, has bought St Martins-Waltham

Uzbekistan: A New Dawn, A New Era.

The fabled land of Tamberlaine the Great, the exotic cities of Bukhara, Samarkhand and Tashkent, and the Great Silk Route, Uzbekistan evokes images of Central Asia's wild and rich past. Now, this newly independent republic is opening its doors to the West.

Uzbekistan today is a nation of great potential and opportunity. It is actively seeking Western participation in order to develop the depth and diversity of its resources.

A major agricultural producer, especially of cotton, where it is the world's fourth biggest grower and the third largest exporter, Uzbekistan also produces the most fruit and vegetables in the former Soviet Union.

Besides its agriculture, the country has abundant reserves of gold, oil, natural gas, coal, silver and copper.



The President of Uzbekistan, Islam Karimov, has adopted a practical and realistic approach in terms of his government's policy on reforms. This is expressed in five principles:

- Prevalence of Economics over Ideology.
- Support for the people through a programme of social reforms.
- Gradual economic reforms – no shock therapy.
- Transition to a market economy under state guidance.
- Non-interference of religion in state affairs.

The country is ethnically homogeneous (over 70% Uzbek) and has a much less fragmented society than some of its neighbours. Religious fundamentalism is discouraged. This, together with the country's diverse resources, highly educated population and political stability offers considerable opportunities for foreign investors.

Another major sector with abundant potential is Tourism. The cities that once lined the Great Silk Route – Tashkent, Samarkhand, Bukhara and Kiva – offer a rich and exotic cultural heritage. The country of Tamberlaine provides a wealth of unexplored treasures from the Aral Sea in the west to the fertile Fergana Valley in the east.

A vital role in Uzbekistan's economic rebirth and the development of trade and tourism is being played by Uzbekistan Airways, a new leader in Eastern Bloc aviation. The airline has been through an extensive modernisation and training programme recently. Today, it boasts one of the most up-to-date fleets in the region and flies modern wide-bodied Airbus and Boeing aircraft with pilots and cabin crew trained by Lufthansa. Uzbekistan Airways flies direct to London in just six and a half hours and has links to airports throughout Europe and Asia. Flights to New York are currently being planned.

"Safe and comfortable flights are the motto of our company," says Director General Gani Rafikov. "We want international travellers and tourists to realise that we place as much emphasis on their comfort as we do; that we have a good safety record and that our international network is expanding every year."

This recognition of the need to establish contact with the rest of the world and modernise its infrastructure in a systematic manner is symbolic of Uzbekistan's desire to open its doors and welcome the winds of change.

Today, September 1st, 1994 is the third anniversary of independence of the Republic of Uzbekistan. It heralds a new dawn for this ancient land, but young nation.

UZBEKISTAN

CROSSROADS OF THE WORLD

UZBEKISTAN AND AIRBUS: TAKING THE WORLD VIEW

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Ryan losses deepen to £7.35m

Ryan Group, one of the companies expected to bid for British Coal assets later this month, incurred pre-tax losses of £7.35m in the year to December 31, compared with a deficit of £3.31m in 1992, writes Michael Smith.

Operating profits were £3.17m (£3.86m) on turnover of £113m (£111m). Net interest payments fell from £5.9m to £5.06m, but losses on closure of discontinued operations amounted to £7.07m (£366,000).

IAF

In its first set of results since gaining a listing through its reversal into Greyfriars Investment Company, IAF Group reported pre-tax profits of £2.61m for the nine months to end-June.

The outcome compared with a profit of £2.02m for the previous 12 month period and was achieved on turnover of £6.61m, against £7.81m. IAF adopted the June year end at the time of the take-over.

Basic earnings per share emerged at 2.41p (1.86p), or 2.7p (1.87p) fully diluted.

Farnell

Farnell Electronics has sold Eurotec Optical Fibres to Schott-Glass.

The disposal will mean a £1.6m charge, which is principally goodwill arising from the original acquisition. Eurotec has sales of £3m and net assets of £1.4m.

Baring Emerging

Net asset value for the Baring Securities Emerging Markets Index Tracker Fund fell from \$14.67 to \$13.18 (£8.50) over the six months to the end of June.

Net realised gain over the six months was \$746,570.

Rothmans Industries

Rothmans Industries' subsidiary, Rothmans of Pall Mall (Singapore), has sold buildings

LONDON SHARE SERVICE

BANKS

Company	Price	Change
Barclays Bank	125.00	+0.50
Bank of Scotland	110.00	+0.25
Bank of Ireland	105.00	+0.10
Bank of England	115.00	+0.30
Bank of America	120.00	+0.40
Bank of China	118.00	+0.20
Bank of India	112.00	+0.15
Bank of Japan	110.00	+0.10
Bank of Korea	108.00	+0.05
Bank of London	105.00	+0.00
Bank of Montreal	102.00	+0.00
Bank of New York	100.00	+0.00
Bank of Paris	98.00	+0.00
Bank of Spain	95.00	+0.00
Bank of Sweden	92.00	+0.00
Bank of Switzerland	90.00	+0.00
Bank of Taiwan	88.00	+0.00
Bank of Thailand	85.00	+0.00
Bank of Vietnam	82.00	+0.00
Bank of Yugoslavia	80.00	+0.00

BREWERS

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

BUILDING & CONSTRUCTION

Company	Price	Change
Arrol-Johnston	120.00	+0.50
Balfour Beatty	115.00	+0.25
Bechtel	110.00	+0.10
Bochum	105.00	+0.00
Bochum	100.00	+0.00
Bochum	95.00	+0.00
Bochum	90.00	+0.00
Bochum	85.00	+0.00
Bochum	80.00	+0.00
Bochum	75.00	+0.00
Bochum	70.00	+0.00
Bochum	65.00	+0.00
Bochum	60.00	+0.00
Bochum	55.00	+0.00
Bochum	50.00	+0.00
Bochum	45.00	+0.00
Bochum	40.00	+0.00
Bochum	35.00	+0.00
Bochum	30.00	+0.00
Bochum	25.00	+0.00
Bochum	20.00	+0.00
Bochum	15.00	+0.00
Bochum	10.00	+0.00
Bochum	5.00	+0.00
Bochum	0.00	+0.00

BUILDING MATERIALS & MERCHANTS

Company	Price	Change
Arrol-Johnston	120.00	+0.50
Balfour Beatty	115.00	+0.25
Bechtel	110.00	+0.10
Bochum	105.00	+0.00
Bochum	100.00	+0.00
Bochum	95.00	+0.00
Bochum	90.00	+0.00
Bochum	85.00	+0.00
Bochum	80.00	+0.00
Bochum	75.00	+0.00
Bochum	70.00	+0.00
Bochum	65.00	+0.00
Bochum	60.00	+0.00
Bochum	55.00	+0.00
Bochum	50.00	+0.00
Bochum	45.00	+0.00
Bochum	40.00	+0.00
Bochum	35.00	+0.00
Bochum	30.00	+0.00
Bochum	25.00	+0.00
Bochum	20.00	+0.00
Bochum	15.00	+0.00
Bochum	10.00	+0.00
Bochum	5.00	+0.00
Bochum	0.00	+0.00

CHEMICALS

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

DISTRIBUTORS

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

DIVERSIFIED INDUSTRIALS

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

ELECTRICITY

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

ELECTRONIC & ELECTRICAL EQUIPMENT - Cont.

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

ENGINEERING

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

ENGINEERING VEHICLES

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

EXTRACTIVE INDUSTRIES

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

FOOD MANUFACTURERS

Company	Price	Change
Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Watson	65.00	+0.00
Woolwich	60.00	+0.00
Woolwich	55.00	+0.00
Woolwich	50.00	+0.00
Woolwich	45.00	+0.00
Woolwich	40.00	+0.00
Woolwich	35.00	+0.00
Woolwich	30.00	+0.00
Woolwich	25.00	+0.00
Woolwich	20.00	+0.00
Woolwich	15.00	+0.00
Woolwich	10.00	+0.00
Woolwich	5.00	+0.00
Woolwich	0.00	+0.00

GAS DISTRIBUTION

Adnams	120.00	+0.50
Beck's	115.00	+0.25
Carlsberg	110.00	+0.10
Guinness	105.00	+0.00
Heineken	100.00	+0.00
Kaiser Brewery	95.00	+0.00
Miller	90.00	+0.00
Orkla	85.00	+0.00
Pilsener	80.00	+0.00
Stout	75.00	+0.00
Tottenham	70.00	+0.00
Wat		

LEISURE & HOTELS - Cont.

OIL INTEGRATED

PROPERTY - Cont.**SPIRITS, WINES & CIGARS**

Cont

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100

Final Bulletin.....	4922	4922
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Energy	40	1
Distance MS	207	+6
Cost	214	

ops Entg.....K 100ml
chem Contro...5114 125

EN 62 Nordic	2542	+1/2	2831	290
Securfloor	1635d	+25	1543	1145

20.3	+3	24.3	10.9	3.4
18.3	+3	16.3	14.3	2.3

6000	+7	1000	4510	1
1111	+7	1211	1011	6
1211	+7	1011	1011	8
3011	-2	4730	5301	41
1011	+5	1111	5111	1
011	+4	1011	711	11

TRANS

size	1994	1995	1996
100	100	100	100
200	200	200	200
300	300	300	300
400	400	400	400
500	500	500	500
600	600	600	600
700	700	700	700
800	800	800	800
900	900	900	900
1000	1000	1000	1000

INDON SHARE SERVICE

Services delivered by Erdos Financial, Financial Group.

are based on those used for the FT-SE 100

Day	_____	415	_____	412
TV	_____	885	+10	780

000		161	161
000		844	844

Days	1	153
Week	1	152
Month	1	152

Divide Pool	1	2	3	4
Drawdown	1	2	3	4

even in pencil unless otherwise stated. High
by mid- prices.

[illegible]

1 & 2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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277
-8

2500 Furniture	1100	-2
2500	111	

Gap 8-1/2pc Cr.....	281 1/2	+1	230	173 1/2
Way Pac HCS.....	100 1/2	+1 1/2	132	80

competition whose shares are registered
for a fee of \$1000 - more for small

Financial Reports Service
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Where pages are available, the **FT Cityline** service. See pages for details. The service is available for online use. Annual subscription £250 sterling. Call **71 573 4378**, International **+44 71 573 4378**.

AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS
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UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS
UNIT TRUSTS	UNIT TRUSTS	UNIT TRUSTS</							

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Iaurin SS

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units, used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the net unit volume.

BID PRICE: Also called redemption price. The price at which units are sold back by

CANCELLATION PRICE: The minimum redemptible price. The cancellation spread between the offer and bid prices is determined by a formula laid down by the commission in

practice, most oil trust managers quote a stock purchaser spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in

TIME: The line shown alongside the food manager's name is the time of the unit trust's expiration point unless another time is indicated.

by the system alongside the individual unit cost curve. The symbols are as follows: (V) - 0001 to 7:00 hours; (W) - 7:01 to 7:00 hours; (X) - 7:01 to 17:00 hours; (Y) - 17:01 to midnight. Daily clearing prices are set on the basis of the intersection points of these curves.

...before prices become unstable.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current ones.

levels because of an intervening portfolio revision or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the purchasers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices mentioned in the

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of

Other explanatory notes are contained in the last column of the

**Life Assurance and Unit Trust
Regulatory Organisation,
Centre Point,
100 Horse Guards Road, London SW1A 2JX**

Tel: 071-379-8644.

Schroder Unit Trusts Ltd (1400MF)
 Seaview House, 85 Queen Victoria St, EC4V 4EJ
 Clientline 0800 526535 Richard Jones

Detailed Funds		Investment	
American & Foreign	250.75	250.75	250.75
Equity Fund	225.15	225.15	225.15
Investment Grade	78.15	78.15	78.15
Income Fund	77.78	77.78	77.78
Small Cap	25.15	25.15	25.15

[illegible][illegible]

THE

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030

[illegible]

Western Europe	84.75	84.75	84.75
Western Europe	84.75	84.75	84.75
Japan (incl. Korea)	42.50	42.50	42.50
Japan (incl. Korea)	42.50	42.50	42.50
Western Europe	44.36	44.36	44.36
Western Europe	44.36	44.36	44.36
Japan (incl. Korea)	180.45	180.45	180.45
Japan (incl. Korea)	180.45	180.45	180.45
Western Europe	215.50	215.50	215.50
Western Europe	215.50	215.50	215.50
Overseas	187.24	187.24	187.24
Overseas	187.24	187.24	187.24

128 Selector Income	6	82.34	69.98
Do Accum	5	71.81	72.61
T.J. Fund Managers Limited (120)			
TJA Tower, Adelaide Road, Croydon			
TJH Bldg	2		

05540	N.A. Turner, Advertising Road, Croydon		
12.75	T.A. Butler	5	222.6 222.7
12.76	T.A. Butler		54.95 55.10
12.77	T.A. Butler		
12.78	Templeton Unit Trust Managers		
12.79	20 Castle Terrace, Edinburgh EH1 2ES		
12.80	Shelley Group Ltd	5	222.27 222.30
12.81	Shelley Group Ltd		

Thornton Velt Managers Ltd (120)
 20 Queen Street, London EC4M 3AT

Domestic	671-246-3001	
American Seals Co.	54.75	54.15
Atlantic Union	55.14	55.14
Continental Seals Co.	55.93	55.93
Continental Union	57.25	57.25
Continental	58.87	58.87
Continental	59.17	59.17

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THE

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1
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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (671) 873-4378 for more details.

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MANAGEMENT SERVICES

Scottish Mutual Assurance plc 100 George Street Glasgow G2 7HT Scotland 041-555 0001 041-555 0002 041-555 0003 041-555 0004 041-555 0005 041-555 0006 041-555 0007 041-555 0008 041-555 0009 041-555 0010 041-555 0011 041-555 0012 041-555 0013 041-555 0014 041-555 0015 041-555 0016 041-555 0017 041-555 0018 041-555 0019 041-555 0020 041-555 0021 041-555 0022 041-555 0023 041-555 0024 041-555 0025 041-555 0026 041-555 0027 041-555 0028 041-555 0029 041-555 0030 041-555 0031 041-555 0032 041-555 0033 041-555 0034 041-555 0035 041-555 0036 041-555 0037 041-555 0038 041-555 0039 041-555 0040 041-555 0041 041-555 0042 041-555 0043 041-555 0044 041-555 0045 041-555 0046 041-555 0047 041-555 0048 041-555 0049 041-555 0050 041-555 0051 041-555 0052 041-555 0053 041-555 0054 041-555 0055 041-555 0056 041-555 0057 041-555 0058 041-555 0059 041-555 0060 041-555 0061 041-555 0062 041-555 0063 041-555 0064 041-555 0065 041-555 0066 041-555 0067 041-555 0068 041-555 0069 041-555 0070 041-555 0071 041-555 0072 041-555 0073 041-555 0074 041-555 0075 041-555 0076 041-555 0077 041-555 0078 041-555 0079 041-555 0080 041-555 0081 041-555 0082 041-555 0083 041-555 0084 041-555 0085 041-555 0086 041-555 0087 041-555 0088 041-555 0089 041-555 0090 041-555 0091 041-555 0092 041-555 0093 041-555 0094 041-555 0095 041-555 0096 041-555 0097 041-555 0098 041-555 0099 041-555 0100 041-555 0101 041-555 0102 041-555 0103 041-555 0104 041-555 0105 041-555 0106 041-555 0107 041-555 0108 041-555 0109 041-555 0110 041-555 0111 041-555 0112 041-555 0113 041-555 0114 041-555 0115 041-555 0116 041-555 0117 041-555 0118 041-555 0119 041-555 0120 041-555 0121 041-555 0122 041-555 0123 041-555 0124 041-555 0125 041-555 0126 041-555 0127 041-555 0128 041-555 0129 041-555 0130 041-555 0131 041-555 0132 041-555 0133 041-555 0134 041-555 0135 041-555 0136 041-555 0137 041-555 0138 041-555 0139 041-555 0140 041-555 0141 041-555 0142 041-555 0143 041-555 0144 041-555 0145 041-555 0146 041-555 0147 041-555 0148 041-555 0149 041-555 0150 041-555 0151 041-555 0152 041-555 0153 041-555 0154 041-555 0155 041-555 0156 041-555 0157 041-555 0158 041-555 0159 041-555 0160 041-555 0161 041-555 0162 041-555 0163 041-555 0164 041-555 0165 041-555 0166 041-555 0167 041-555 0168 041-555 0169 041-555 0170 041-555 0171 041-555 0172 041-555 0173 041-555 0174 041-555 0175 041-555 0176 041-555 0177 041-555 0178 041-555 0179 041-555 0180 041-555 0181 041-555 0182 041-555 0183 041-555 0184 041-555 0185 041-555 0186 041-555 0187 041-555 0188 041-555 0189 041-555 0190 041-555 0191 041-555 0192 041-555 0193 041-555 0194 041-555 0195 041-555 0196 041-555 0197 041-555 0198 041-555 0199 041-555 0200 041-555 0201 041-555 0202 041-555 0203 041-555 0204 041-555 0205 041-555 0206 041-555 0207 041-555 0208 041-555 0209 041-555 0210 041-555 0211 041-555 0212 041-555 0213 041-555 0214 041-555 0215 041-555 0216 041-555 0217 041-555 0218 041-555 0219 041-555 0220 041-555 0221 041-555 0222 041-555 0223 041-555 0224 041-555 0225 041-555 0226 041-555 0227 041-555 0228 041-555 0229 041-555 0230 041-555 0231 041-555 0232 041-555 0233 041-555 0234 041-555 0235 041-55

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Atlantic Telegraph Cable Fleet News (1989)									
Ship	Company	Flag	Length	Speed	Capacity	Notes	Ship	Company	Flag
1000	Atlantic	USA	100	10	1000		1000	Atlantic	USA
1001	Atlantic	USA	100	10	1000		1001	Atlantic	USA
1002	Atlantic	USA	100	10	1000		1002	Atlantic	USA
1003	Atlantic	USA	100	10	1000		1003	Atlantic	USA
1004	Atlantic	USA	100	10	1000		1004	Atlantic	USA
1005	Atlantic	USA	100	10	1000		1005	Atlantic	USA
1006	Atlantic	USA	100	10	1000		1006	Atlantic	USA
1007	Atlantic	USA	100	10	1000		1007	Atlantic	USA
1008	Atlantic	USA	100	10	1000		1008	Atlantic	USA
1009	Atlantic	USA	100	10	1000		1009	Atlantic	USA
1010	Atlantic	USA	100	10	1000		1010	Atlantic	USA
1011	Atlantic	USA	100	10	1000		1011	Atlantic	USA
1012	Atlantic	USA	100	10	1000		1012	Atlantic	USA
1013	Atlantic	USA	100	10	1000		1013	Atlantic	USA
1014	Atlantic	USA	100	10	1000		1014	Atlantic	USA
1015	Atlantic	USA	100	10	1000		1015	Atlantic	USA
1016	Atlantic	USA	100	10	1000		1016	Atlantic	USA
1017	Atlantic	USA	100	10	1000		1017	Atlantic	USA
1018	Atlantic	USA	100	10	1000		1018	Atlantic	USA
1019	Atlantic	USA	100	10	1000		1019	Atlantic	USA
1020	Atlantic	USA	100	10	1000		1020	Atlantic	USA
1021	Atlantic	USA	100	10	1000		1021	Atlantic	USA
1022	Atlantic	USA	100	10	1000		1022	Atlantic	USA
1023	Atlantic	USA	100	10	1000		1023	Atlantic	USA
1024	Atlantic	USA	100	10	1000		1024	Atlantic	USA
1025	Atlantic	USA	100	10	1000		1025	Atlantic	USA
1026	Atlantic	USA	100	10	1000		1026	Atlantic	USA
1027	Atlantic	USA	100	10	1000		1027	Atlantic	USA
1028	Atlantic	USA	100	10	1000		1028	Atlantic	USA
1029	Atlantic	USA	100	10	1000		1029	Atlantic	USA
1030	Atlantic	USA	100	10	1000		1030	Atlantic	USA
1031	Atlantic	USA	100	10	1000		1031	Atlantic	USA
1032	Atlantic	USA	100	10	1000		1032	Atlantic	USA
1033	Atlantic	USA	100	10	1000		1033	Atlantic	USA
1034	Atlantic	USA	100	10	1000		1034	Atlantic	USA
1035	Atlantic	USA	100	10	1000		1035	Atlantic	USA
1036	Atlantic	USA	100	10	1000		1036	Atlantic	USA
1037	Atlantic	USA	100	10	1000		1037	Atlantic	USA
1038	Atlantic	USA	100	10	1000		1038	Atlantic	USA
1039	Atlantic	USA	100	10	1000		1039	Atlantic	USA
1040	Atlantic	USA	100	10	1000		1040	Atlantic	USA
1041	Atlantic	USA	100	10	1000		1041	Atlantic	USA
1042	Atlantic	USA	100	10	1000		1042	Atlantic	USA
1043	Atlantic	USA	100	10	1000		1043	Atlantic	USA
1044	Atlantic	USA	100	10	1000		1044	Atlantic	USA
1045	Atlantic	USA	100	10	1000				

UKA Equity & Low Risk Fund Mgrs									
Fund Name	Assets	YTD	1Y	3Y	5Y	10Y	15Y	20Y	25Y
UKA Equity Fund	£100m	12.5%	25.0%	45.0%	65.0%	85.0%	105.0%	125.0%	145.0%
UKA Low Risk Fund	£100m	8.0%	16.0%	28.0%	40.0%	55.0%	70.0%	85.0%	100.0%
UKA Growth Fund	£100m	15.0%	30.0%	50.0%	70.0%	90.0%	110.0%	130.0%	150.0%
UKA Income Fund	£100m	6.0%	12.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%
UKA Bond Fund	£100m	4.0%	8.0%	14.0%	22.0%	30.0%	38.0%	46.0%	54.0%
UKA Money Market Fund	£100m	2.0%	4.0%	7.0%	10.0%	13.0%	16.0%	19.0%	22.0%
UKA Real Estate Fund	£100m	10.0%	20.0%	35.0%	50.0%	65.0%	80.0%	95.0%	110.0%
UKA Commodity Fund	£100m	18.0%	36.0%	60.0%	80.0%	100.0%	120.0%	140.0%	160.0%
UKA Hedge Fund	£100m	22.0%	44.0%	70.0%	90.0%	110.0%	130.0%	150.0%	170.0%
UKA Private Equity Fund	£100m	25.0%	50.0%	75.0%	100.0%	125.0%	150.0%	175.0%	200.0%
UKA Venture Capital Fund	£100m	30.0%	60.0%	90.0%	120.0%	150.0%	180.0%	210.0%	240.0%
UKA Infrastructure Fund	£100m	14.0%	28.0%	42.0%	56.0%	70.0%	84.0%	98.0%	112.0%
UKA Natural Resources Fund	£100m	16.0%	32.0%	48.0%	64.0%	80.0%	96.0%	112.0%	128.0%
UKA Technology Fund	£100m	20.0%	40.0%	60.0%	80.0%	100.0%	120.0%	140.0%	160.0%
UKA Healthcare Fund	£100m	18.0%	36.0%	54.0%	72.0%	90.0%	108.0%	126.0%	144.0%
UKA Financial Services Fund	£100m	12.0%	24.0%	36.0%	48.0%	60.0%	72.0%	84.0%	96.0%
UKA Consumer Goods Fund	£100m	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%
UKA Industrial Fund	£100m	8.0%	16.0%	24.0%	32.0%	40.0%	48.0%	56.0%	64.0%
UKA Energy Fund	£100m	14.0%	28.0%	42.0%	56.0%	70.0%	84.0%	98.0%	112.0%
UKA Telecommunications Fund	£100m	16.0%	32.0%	48.0%	64.0%	80.0%	96.0%	112.0%	128.0%
UKA Media Fund	£100m	18.0%	36.0%	54.0%	72.0%	90.0%	108.0%	126.0%	144.0%
UKA Retail Fund	£100m	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%
UKA Food & Beverage Fund	£100m	12.0%	24.0%	36.0%	48.0%	60.0%	72.0%	84.0%	96.0%
UKA Pharmaceuticals Fund	£100m	14.0%	28.0%	42.0%	56.0%	70.0%	84.0%	98.0%	112.0%
UKA Chemicals Fund	£100m	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%
UKA Metals & Mining Fund	£100m	16.0%	32.0%	48.0%	64.0%	80.0%	96.0%	112.0%	128.0%
UKA Aerospace & Defense Fund	£100m	18.0%	36.0%	54.0%	72.0%	90.0%	108.0%	126.0%	144.0%
UKA Space & Satellite Fund	£100m	20.0%	40.0%	60.0%	80.0%	100.0%	120.0%	140.0%	160.0%
UKA Robotics & Automation Fund	£100m	22.0%	44.0%	66.0%	88.0%	110.0%	132.0%	154.0%	176.0%
UKA Artificial Intelligence Fund	£100m	24.0%	48.0%	72.0%	96.0%	120.0%	144.0%	168.0%	192.0%
UKA Quantum Computing Fund	£100m	26.0%	52.0%	78.0%	104.0%	130.0%	156.0%	182.0%	208.0%
UKA Blockchain Fund	£100m	28.0%	56.0%	84.0%	112.0%	140.0%	168.0%	196.0%	224.0%
UKA Cybersecurity Fund	£100m	30.0%	60.0%	90.0%	120.0%	150.0%	180.0%	210.0%	240.0%
UKA Cloud Computing Fund	£100m	32.0%	64.0%	96.0%	128.0%	160.0%	192.0%	224.0%	256.0%
UKA Big Data Fund	£100m	34.0%	68.0%	102.0%	136.0%	170.0%	204.0%	238.0%	272.0%
UKA Internet of Things Fund	£100m	36.0%	72.0%	108.0%	144.0%				

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CURRENCIES AND MONEY

MARKETS REPORT

Lira recovery continues

The lira yesterday continued its gradual recovery on the currency markets to again reach the L1,000 level, writes Philip Gault.

A combination of favourable events - most recently, a favourable floating rate bond auction - helped the lira to a London close of L1,000 against the D-Mark, from L1,007 on Tuesday.

Elsewhere in Europe, the D-Mark's performance was fairly mixed, as it failed to benefit from the upward trend in French interest rates. The franc was barely changed at FF3.42 against the D-Mark from FF3.42.

The announcement that the Irish Republican Army was suspending military operations after 25 years had little discernible impact on the pound. The trade weighted sterling index finished at 79.1 after opening at 78.8.

Market talk about progress in the US-Japan trade talks helped the dollar finish firmer against the yen at Y100.75, from Y99.65. It finished slightly lower against the D-Mark at DM1.5783 from DM1.5806.

Overall activity was quiet, with most traders focusing on today's Bundesbank council meeting, and the release tomorrow of the monthly US employment report.

The former lira was one of a number of currencies which defied those who thought higher rates in France would favour the D-Mark. Mr Adrian Schmidt, international economist at Chase Manhattan, said there were three factors which explained the lira's recent recovery from a low of L1,030 on August 12.

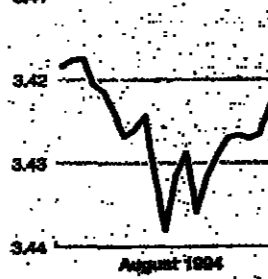
These were the firmer tone to the dollar, improved expectations of a credible budget package - based primarily on government plans to implement a pensions reform package - and the good response to Tuesday's auction.

While the recent absence of political tensions has clearly helped the lira, most observers believe the market will continue to place a risk premium on it, until there is evidence of sustained calm on the political front.

French Franc

Against the D-Mark (FF per DM)

3.41



Source: FT Graphix

Pound in New York

Aug 31 - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806

Analysts were split as to whether the decision by leading French commercial banks to raise rates presaged a bottom in European rates, or not.

Mr Brian Durrant, economist at brokers GNL, said the rates increase did "not have Bank of France official policy implications and certainly does not imply conclusively that the European interest rate cycle has bottomed."

But Mr Robert Thomas, head of research at NatWest Markets, said the move, aimed at bolstering lending margins, "surely underlines that there is not much more to go in European rates, if at all." He said it was most unlikely that the banks had not spoken to the Bank of France first, and their action in raising rates suggested they were not confident about the prospect of a further fall in rates.

Various theories circulated about why the banks raised rates. One is that they were trying to pressure the Bank of France to hasten rate cuts. Another suggestion was they were acting pre-emptively in anticipation of the Bundesbank raising rates at its meeting today.

The latter view is certainly a minority one. A Reuters poll of 20 European economists, ahead of the council meeting, found that only five of those polled thought the discount rate would not be cut again, and none are predicting it to be

above the current level of 4.5 per cent at the end of the year. The consensus is that it will be at 4.25 per cent.

Economists at SG Warburg argue, in their latest foreign exchange review, that "the Bundesbank lacks economic justification for further monetary relaxation." This is based on the view that inflation is approaching a cyclical bottom.

"They will also have to facilitate substantial assistance throughout potential political uncertainty in the coming months, a scenario which rules out measures that may leave the D-Mark and Bundesbank credibility at risk."

If the Bundesbank does opt for change, it is most likely to revert to a variable rate repo. The repo rate is currently fixed at 4.85 per cent. Earlier this week, a Bundesbank council member said the bank had an interest in keeping alive interest rate speculation.

Analysts were reluctant to predict whether the IRA announcement might benefit sterling. One line of reasoning was that the pound would win if prime minister John Major's reputation was seen obviously to have been enhanced by the ceasefire declaration.

Sceptics, however, said he might well have opened a Pandora's box, fostering political division among his own supporters. In the medium term, analysts surmised that the fiscal implications of a unified Ireland would probably have more impact on the Irish punt, than on sterling.

The August purchasing managers report conveyed little fresh information about the economy and was ignored by sterling. It also had little impact on the futures market, with the December short sterling contract closing at 90.40, from 90.43.

The Bank of England provided £14m assistance after forecasting a daily shortage of £300m.

IN OTHER CURRENCIES
Aug 31 - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806
1 Sept - 1.5806 - 1.5806

POUND SPOT FORWARD AGAINST THE POUND

Aug 31	Closing mid-point	Change on day	5d/offer spread	Day's mid low	One month	Three months	One year	Bank of England
Europe	17.0007	-0.0001	0.0001	17.0007	17.0007	17.0007	17.0007	114.9
Australia	(A\$) 17.0007	-0.0001	0.0001	17.0007	17.0007	17.0007	17.0007	114.9
Canada	(C\$) 17.0007	-0.0001	0.0001	17.0007	17.0007	17.0007	17.0007	114.9
Denmark	(Dkr) 9.8680	-0.0002	0.0001	9.8680	9.8712	-1.0	9.8685	-0.7
France	(FFr) 7.5533	-0.0001	0.0001	7.5533	7.5565	-0.2	7.5565	1.3
Germany	(DM) 2.2421	-0.0001	0.0001	2.2421	2.2452	0.0	2.2422	0.5
Greece	(Dr) 367.915	-0.14	786	0.04	1.0170	0.15	1.0152	-0.7
Ireland	(Ir£) 2.4628	-0.0001	0.0001	2.4628	2.4638	-0.5	2.4635	-0.1
Italy	(Lira) 49.8208	-0.0001	0.0001	49.8208	49.8208	0.1	49.8208	0.0
Luxembourg	(LuxF) 10.6592	-0.0001	0.0001	10.6592	10.6592	0.2	10.6592	0.0
Netherlands	(Dfl) 10.6592	-0.0001	0.0001	10.6592	10.6592	0.2	10.6592	0.0
Norway	(Nkr) 10.6592	-0.0001	0.0001	10.6592	10.6592	0.2	10.6592	0.0
Portugal	(Esc) 200.856	-0.0001	0.0001	200.856	200.856	-0.8	200.856	-0.8
Spain	(Ptas) 166.666	-0.0001	0.0001	166.666	166.666	-1.2	166.666	-1.2
Sweden	(Skr) 2.0436	-0.0001	0.0001	2.0436	2.0436	0.8	2.0436	1.0
Switzerland	(Sfr) 2.0436	-0.0001	0.0001	2.0436	2.0436	0.8	2.0436	1.0
UK	1.2507	-0.0002	0.0001	1.2507	1.2507	-0.7	1.2507	-0.1
USA	0.944678	-0.0002	0.0001	0.944678	0.944678	-0.7	0.944678	-0.1
Americas								
Argentina	(P\$) 1.5353	-0.0002	0.0001	1.5353	1.5353	0.0	1.5353	0.0
Brazil	(R\$) 1.5353	-0.0002	0.0001	1.5353	1.5353	0.0	1.5353	0.0
Canada	(C\$) 2.1074	-0.0002	0.0001	2.1074	2.1074	0.1	2.1074	0.0
Mexico (New Pesos)	(N\$) 5.2157	-0.0002	0.0001	5.2157	5.2157	0.0	5.2157	0.0
Mexico (Old Pesos)	(P\$) 1.5353	-0.0002	0.0001	1.5353	1.5353	0.2	1.5353	0.0
Asia								
Hong Kong	(A\$) 2.0358	-0.0002	0.0001	2.0358	2.0358	0.0	2.0358	0.0
Hungary	(H\$) 11.8741	-0.0002	0.0001	11.8741	11.8741	0.1	11.8741	0.0
Japan	(Y) 139.819	-0.0002	0.0001	139.819	139.819	2.5	139.819	2.5
Malaysia	(M\$) 3.5818	-0.0002	0.0001	3.5818	3.5818	0.0	3.5818	0.0
Japan	(Y) 139.819	-0.0002	0.0001	139.819	139.819	2.5	139.819	2.5
Thailand	(B\$) 2.5222	-0.0002	0.0001	2.5222	2.5222	-1.8	2.5222	-1.8
New Zealand	(NZ\$) 0.944678	-0.0002	0.0001	0.944678	0.944678	-0.7	0.944678	-0.1
Saudi Arabia	(R\$) 5.7628	-0.0002	0.0001	5.7628	5.7628	0.0	5.7628	0.0
Singapore	(S\$) 2.0436	-0.0002	0.0001	2.0436	2.0436	0.0	2.0436	0.0
Philippines (P\$)	(P\$) 5.2157	-0.0002	0.0001	5.2157	5.2157	0.0	5.2157	0.0
S Africa (Rand)	(R\$) 0.9148	-0.0002	0.0001	0.9148	0.9148	0.0	0.9148	0.0
South Korea	(Won) 1220.05	-0.0002	0.0001	1220.05	1220.05	0.0	1220.05	0.0
Taiwan	(T\$) 40.4247	-0.0002	0.0001	40.4247	40.4247	0.0	40.4247	0.0
Thailand	(B\$) 2.5222	-0.0002	0.0001	2.5222	2.5222	-1.8	2.5222	-1.8

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KANSAI

Thursday September 1 1994

A beautiful window of diverse pieces

Deregulation, infrastructural developments and its own resourcefulness all contribute to the region's confidence that it can at last compete with Japan's national capital, writes Michio Nakamoto.

In a recent television advertisement, aired in western Japan, demons that bring poverty in national folklore were shown dressed in rags, stalking the grounds of Osaka castle. On hearing of the convenient new Kansai International Airport, they decide to take advantage of its opening to fly east to Tokyo.

The joke, at the expense of the Japanese capital, captures the current mood in Kansai, the region made up of the six prefectures of Osaka, Hyogo, Kyoto, Nara, Wakayama and Shiga that span the western stretch of Japan's main island of Honshu, between the scenic Lake Biwa on the east and the Chugoku mountain range on the west.

After years of trying to catch up and compete with Tokyo, and of suffering unflattering comparisons with its more cosmopolitan rival as a result, Kansai has recently begun to feel a greater confidence in what it has to offer as an alternative to the capital.

"The advantage of being in Kansai is that you are less disrupted by political noise," says Mr Tsuno Murase, executive vice-president of Matsushita, the world's largest consumer electronics group, which has its headquarters in Osaka.

Businessmen point to the greater openness of Kansai people to new ideas, compared with Tokyo, their ability to make quick decisions and their talent for spotting new business opportunities, as evidence that the region is better suited to the more competitive business environment in the 1990s. Confidence in the region is

such that the 21st century is being hailed as the era of Kansai, as opposed to Tokyo.

What will make Kansai so special in the years ahead, according to its proponents, is the different opportunities the region offers from Tokyo. For one thing, its relative proximity to the Asian continent and

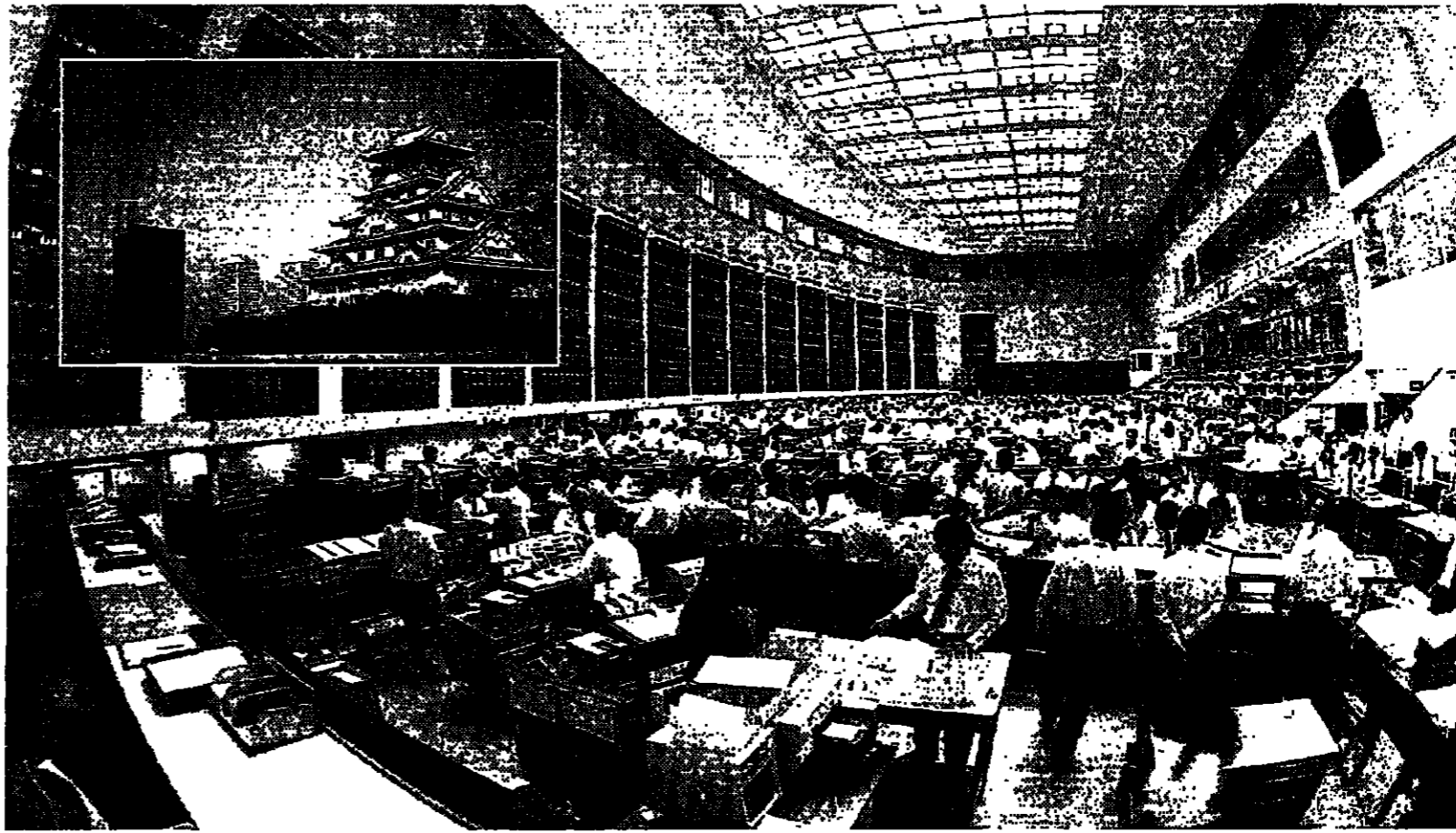
which seem to have little in common except their proximity to each other - is beginning to be appreciated as a source of the region's vitality.

Mr Masafumi Onishi, chairman of the Osaka chamber of commerce and industry, and of Osaka Gas, likens Kansai to a stained-glass window in which very different parts make up a beautiful whole.

But the infectious optimism that pervades the Kansai establishment stems also from a conviction that, with the recent completion of a range of ambitious infrastructural projects, the region is finally coming into its own. For the first time in many years, Kansai people feel they have everything that their compatriots in Tokyo have.

From this month, the region will have the impressive new international airport that is slated to offer Japan's first 24-hour air terminal services, and which will be a hub for domestic flights. Osaka Bay, along which lie some of the region's most vibrant cities, such as Osaka itself and Kobe, a famous port, is now the proud home of no fewer than three man-made islands, one of which is the site of the new airport.

The narrow corridor of sea that separates the city of Akashi, in Hyogo prefecture, from Awaji island will soon be spanned by a spectacular suspension bridge that, it is claimed, will be the longest in the world. And further south, just off the coast of Wakayama prefecture, another artificial island has been built to accommodate Japan's biggest marina.



Osaka stock exchange is the world's fourth largest by capitalisation; while the city's business park (inset), near the castle, has changed the skyline

Main picture: Ashley Ashwood

On land, a vast science, culture and art centre, covering 15,000 hectares in the three prefectures of Kyoto, Osaka and Nara, is taking shape; while the skylines of principal cities in the region have been transformed by the high-rise office buildings and expansive business parks, such as the Osaka business park near the Osaka castle, that have been built in recent years.

This frantic investment in infrastructure, which is costing the regional economy dearly, was Kansai's response to a sense of crisis that gripped its economic leaders several years ago. Unless something was done to revitalise the region, they feared, its vitality could be sapped by the growing dominance of Tokyo and its neighbouring prefectures on the Kanto plains.

Tokyo, the centre of Japan's political, economic and cultural life since the end of the war, seemed to have everything; while Kansai, which encompasses the ancient capitals of Nara and Kyoto as well as the merchants' city of Osaka and the port city of Kobe, has long been regarded as a region steeped in history and bubbling with creative ideas, but not quite able to claim the world-class stature of Tokyo.

While Kansai's gross regional product is equal approximately to that of Canada, and is forecast to exceed that of the UK by the year 2000, there has been a strong feeling among the business community that the region's economic vitality has

not received the recognition it deserves.

Osaka, Kansai's economic powerhouse, boasts a stock exchange that is the fourth largest in the world by market capitalisation, global giants such as Matsushita, and the largest concentration of pharmaceutical companies in the country. Its history as a merchant town has encouraged an entrepreneurial spirit and an openness to new ideas that is unknown in Tokyo; and it has created a distinct culture that gave birth to such national phenomena as Yoshimoto Kogyo, an entertainment company that has provided Japan with most of its famous comedians.

Kyoto and Nara, two ancient capitals, are treasure-houses of traditional Japanese culture; while Kyoto is the home of

many vibrant new businesses, ranging from the industrial ceramics leader Kyocera to Nintendo, the video games company. Kobe, a famous port renowned for its tender beef, is also a bustling commercial centre.

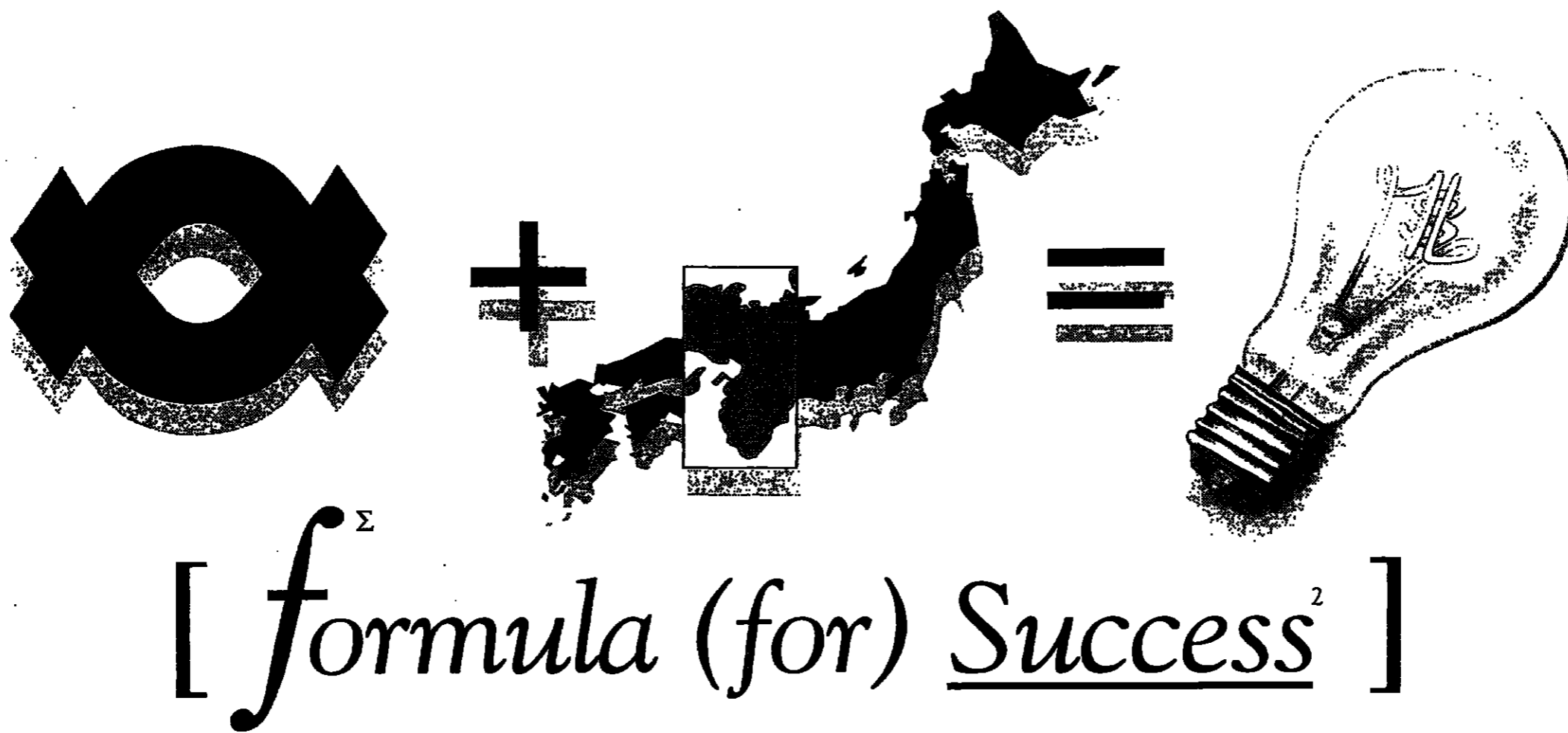
Despite these accomplishments, Kansai has, for much of Japan's post-war history, felt that it has been forced to play second fiddle to Tokyo. Moreover, in recent years the increasing concentration of wealth and information in the capital has led many businesses that originated in Kansai to move their headquarters operations to Tokyo. Kansai's share of Japan's GNP fell from 18.2 per cent in 1980 to 17.2 per cent in 1990, according to the Centre for Revitalising Kansai Industry.

Concern among Kansai busi-

ness leaders about the deteriorating state of the economy had prompted a long period of collective angst, particularly in Osaka, as they jealously watched Tokyo reap what seemed an unequal share of the benefits and the glory of Japan's post-war economic miracle.

However, the gradual completion of big infrastructural projects is raising hopes that the region now has the means to compete for both business and recognition. In the next few years, it will have the means to accommodate its expected growth in economic activity.

The bigger immediate challenge is to show that, in the aftermath of a prolonged nationwide recession and a regional spending spree, it can still generate that activity.



Kansai is Japan's fastest developing region. Home to 17% of the country's entire population, it contains the cities of Osaka, Kyoto, Nara, and Kobe. A highly industrialized region, Kansai's GDP is already the equivalent of Canada's or half that of France. And that's just to start.

As the 21st century begins, Kansai is set to be one of the most prominent business and economic hubs for the entire Pacific Rim. Take a look at the signs. The opening in just a few days of the Kansai International Airport, Japan's first 24-hour major airport. The impressive number of ongoing and scheduled private and public sector projects to reinforce Kansai's infrastructure. And much more on the way.

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KANSAI II

The economy: Michiyo Nakamoto finds popular optimism running ahead of actual recovery

Feeling good under grey skies

The ticket vending machines at Osaka station offer a convenience unknown in other parts of Japan. Instead of having to patiently insert one coin at a time, ticket buyers can throw in up to five coins all at once. Right in front of the station, the traffic lights inform pedestrians how much longer they must wait for the light to turn green.

The ticket machines and traffic lights suit the restless nature of the tradesmen of Osaka, the commercial heartland of the Kansai region, where the pace is fast and the people are *trachi* - or impatient, in the down-to-earth local dialect.

Lately, the innate impatience of Osaka folk, coupled with their natural optimism, has extended to their views of the economy, prompting a growing feeling that the recovery which the whole of Japan has been anxiously waiting for, has finally arrived.

It has arrived, Osaka street wisdom has it, not in Tokyo but in the Kansai.

Even the national press has highlighted the recent plethora of publications on Kansai, the increase in new car registrations in June, and the jump in travellers to the cities of Kyoto and Osaka this year, and has concluded that Kansai is further down the road to recovery than Kanto, the region consisting of Tokyo and its surrounding prefectures.

"Although it may not show in the statistics, people say that there is a liveliness in the Kansai economy," asserts Mr Takaharu Akitake, general manager of the Kansai economy research department, at Daiwa Research Institute in Osaka. "There are no bright spots on the horizon in Tokyo as far as the economy is concerned, but as a region, Kansai is feeling healthy," he says.

But available evidence hardly justifies such confidence. The region's gross product fell last year for the first time in 18 years, by 0.1 per



Osaka Business Park was developed to meet demand for office space

cent. Osaka's business district suffers an embarrassing abundance of empty offices, and the streets are littered with "for rent" signs.

Commercial land prices in the Osaka area fell 19.5 per cent in 1992 and 24 per cent in 1993, while residential property prices saw a fall of 23 per cent last year, according to the Osaka chamber of commerce and industry. And prices are still falling.

"For the next three years the Osaka market is going to be a tenants' market," says Mr Paul Boylan, a consultant to Sekisui House, Japan's largest house builder. "Rents are falling, land prices are falling and the knock-on effect from the Kansai International Airport is not happening."

Large new developments like the Osaka Business Park, Rokko Island and Rinku Town were developed to meet rising demand for office space, but

the collapse of the property market since the turn of the decade has left many of the new high-rise buildings only partially occupied.

Ambitious plans for Rinku Town, being developed at a site near the new international airport, had to be cancelled, and

Osaka has an abundance of empty offices, and streets lined with "for rent" signs

Osaka prefecture is instead making the space available temporarily for fairs and various events.

Nor have the banks based in the Kansai region been spared the massive bad debts that have weighed heavily on Japan's financial system in the past few years.

The region has had its share of scandals, stemming from the years of financial and specu-

lative excess in the late 1980s - such as the disclosure that the prestigious Industrial Bank of Japan had made loans of up to ¥240bn to an Osaka restaurateur, who made speculative stock market purchases based on seances and has been charged with fraud and forgery.

Companies based in Kansai, from Matsushita, the world's largest consumer electronics company, to Obayashi, the general contractor which owns Bracken House, are still suffering from the debilitating effects of Japan's longest recession since the war.

Meanwhile, traditional industries, such as textiles, which used to support the region's economy, have suffered not only from the downturn in consumer spending but also from an influx of cheaper imports from other Asian countries.

Nishijin, a town outside Kyoto where expensive, traditional silk kimono are woven by hand, has seen the number of families in the business fall from 270,000 to just 20,000. "At the present, Nishijin weaving is surviving as an industry. But there is a question as to what will happen in five years' time," laments Mr Yoshio Katayama, a director of the Nishijin weavers' industry union.

The slump in consumer spending, which has hit department stores sales particularly hard, has forced Seibu, a prestigious retailer, to take the unprecedented step of closing its store in Kobe.

Nevertheless, hopes are rising that, with the worst of the recession behind it, Kansai can take the lead in pulling the country out of recession.

With the current coalition government facing an uncertain future, and with many conventional business practices being questioned, Tokyo companies will not be able to take advantage of their proximity to the central halls of power, reckons Mr Yoshihiro Otani, general manager of public relations at the Osaka

chamber of commerce.

In contrast to Tokyo's current powerlessness, he says, "Kansai businesses have always relied on their own strength rather than on the central government."

Faced with uncertainty, Kansai is thus better placed to pull itself out of the long downward spiral of the past few years by sheer ingenuity and drive. "The 21st century is the era of Kansai," Mr Otani declares.

Part of this optimism in Kansai can be attributed to the psychological impact of the many large-scale projects that are expected to significantly improve the area's infrastructure and increase its cultural and academic appeal.

Apart from the international airport, which will bring more tourists and businessmen to the area, the new roads and railways, built to accommodate the increased traffic, the need for surrounding facilities, such as distribution warehouses and conference halls, and new services, are expected to raise economic activity. Investment in surrounding facilities totals ¥3,000bn (\$30bn) says Daiwa's Mr Akitake.

In addition, projects to build facilities such as the Kansai Science City, will bring research and cultural activities to the area. Science City, which spans Osaka, Kyoto and Nara, is the site of the first multimedia experiments being held under the auspices of the ministry of posts and telecommunications.

The Akashi Kaikyo Bridge, connecting Awaji Island with the mainland, will become the longest suspension bridge in the world. Wakayama, to the west of Osaka, will host an international resort exposition this year on a reclaimed island in the Sea of Japan.

All of this activity will help to spur economic growth in the Kansai region by 1.3 per cent this year and 3.3 per cent in 1995, Daiwa Research forecasts. Observers also believe that the push for economic deregulation that is being seen in Tokyo is another reason why Kansai has a better chance of recovery than Tokyo. The region has always fostered an entrepreneurial spirit that has in the past given rise to new businesses, such as instant noodles (which have become a staple throughout Japan), self-service sushi bars and karaoke.



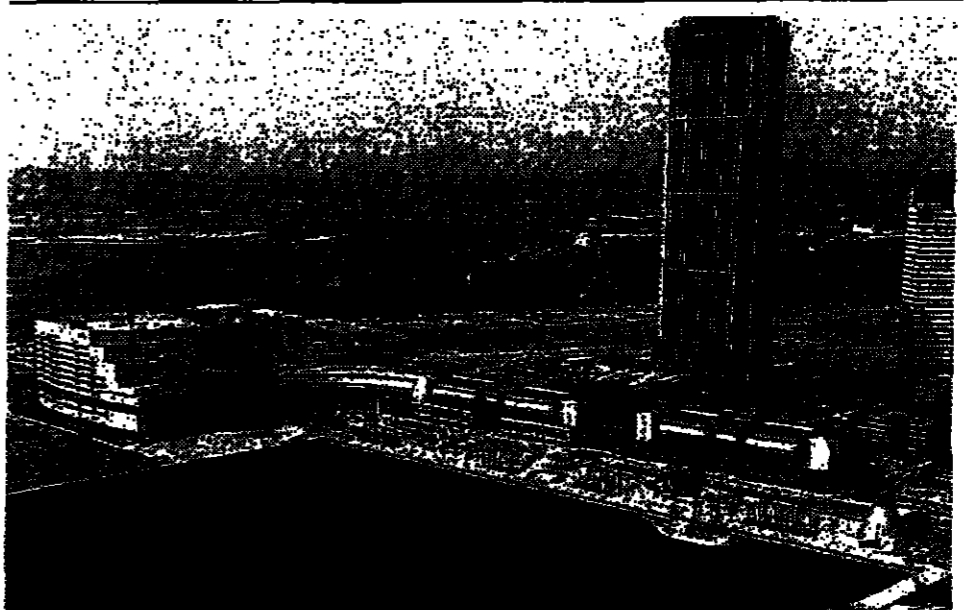
Science City is the site of multimedia experiments, under the auspices of the ministry of telecommunications

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But for many years, Kansai has had to watch successful businesses move out to Tokyo in order to be close to the sources of information and the seat of political and bureaucratic power.

As the bureaucracy is increasingly forced to relax its grip on authority and on information, more businesses will find it easier to grow in Kan-

sai, and the region will benefit from its intrinsic resourcefulness, Mr Akitake believes. "It would be dangerous to have everything concentrated in Tokyo," he warns. With the new airport, improved infrastructure and less red tape, Kansai can now offer an alternative. "This is not just for the good of Kansai, but the good of Japan as a whole."



The Asia and Pacific Trade Centre was opened, in Osaka, in April

Trade links with Asia are increasingly important

In place of the west

To declare that Kansai has important commercial ties with Asia - as Kansai officials and businessmen often do - is something of a truism: Japan's whole economy is dependent on Asia, and Kansai is no exception.

Like other Japanese companies, Kansai-based corporations such as Matsushita Electric and Sharp have invested and traded heavily in Asia. Like other regions of Japan, Kansai has been affected by the strength of the yen, and its industries are embarking on a new round

of factory relocations from Japan to cheaper sites in south-east Asia and China.

But Kansai boasts that its trade links with other Asian countries go back to the eighth century, when Nara was a terminus of the silk road; and even to the fifth century, when Osaka is said to have thrived as one of Japan's first sea ports.

Today Kansai collectively continues to emphasise the importance of Asia and Asia's fast-growing economies. Businessmen, disappointed by the performance of their

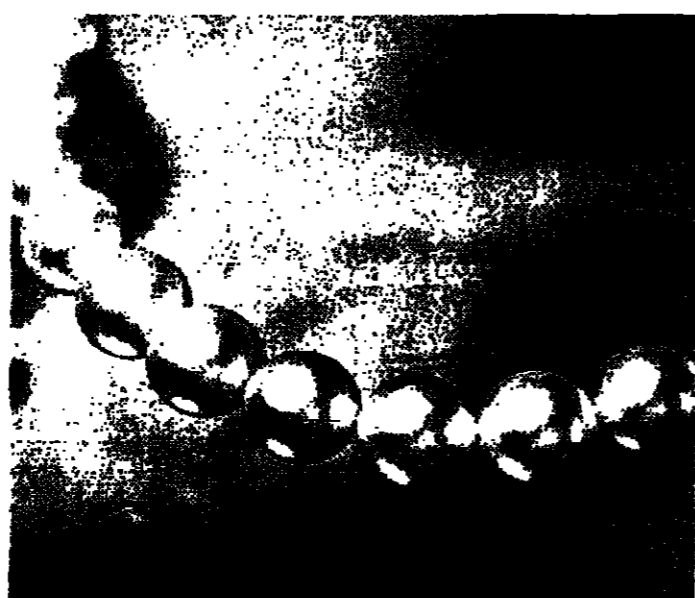
investments in Europe and America, sometimes take it for granted that the west is in decline and therefore rely on Asia more than ever.

About 47 per cent of exports from Kansai go to Asia - more than to North America and Europe combined. (Asia takes only 34 per cent of Japanese exports as a whole). Asia also provides the biggest share of Kansai's imports (43 per cent, compared with 32 per cent for the whole of Japan).

Traditionally, most of these

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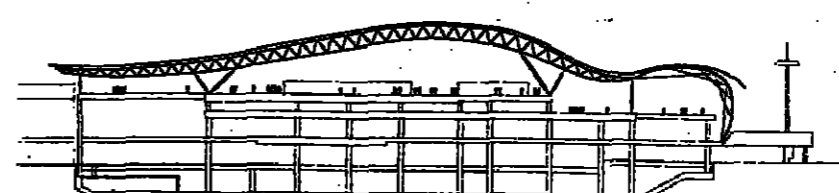
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KANSAI III

Politics: William Dawkins on an enduring consensus

A regional lesson for national rulers

Japan's lurch over the past year into an era of unstable coalition governments has raised ironic smiles among Kansai politicians.

Mainstream political parties, with the exception of the secessionist communists, have been working together in Kansai in what might be described as loose coalitions for many years. They may have a lesson to teach their national government colleagues in Tokyo, who struggle to achieve political stability in their fourth government within the space of a year.

In Osaka and Kyoto, the two most populous of the six prefectures that make up Kansai, local governors and mayors are chosen by agreement between the main parties, and can count on cross-party support. Japan's tradition of consensus remains strong in Kansai politics, just as it is breaking down on the national stage.

"Politics here are entirely different from central politics. The Liberal Democratic party (LDP) is in a minority and other parties are very strong," says Mr Hajime Ishii, member of parliament for the Japan Renewal party (JRP) - a national reform-minded group formed in June last year - from Hyogo prefecture and former home affairs minister.

Mr Teichi Aramaki, an independent in his eighth year as governor of Kyoto, says the national political turmoil has had no impact on local politics. He and his prefectural colleagues are more interested in defending the interests of the community, than in waging backroom battles over political philosophy.

The same habit of co-operation exists in Osaka. "We decide our own policies, and the governor co-ordinates if there is a discrepancy. We all support the governor," explains Mr Tokuo Nishikawa, secretary general of the left-wing Social Democratic Party (SDP) in Osaka. "Communications between parties here are very good, and there is not much room for disagreement on the main policies," says his opposite number at the Osaka branch of the conservative LDP, Mr Yoshio Matsui.

The balance of power in Osaka, the biggest prefecture, is more or less in line with the national balance, with one exception. Komeito, the Buddhist-linked clean-government party, has a stronger than average showing there. It was founded in Osaka, and has strong support from lower middle class employees of the prefecture's regions of small subcontractors, says the

In Osaka and Kyoto, governors and mayors are chosen by agreement between parties, and can count on cross-party support

SDP's Mr Nishikawa. Overall, the LDP has the strongest power base in Osaka, with 48 seats on the 104-seat prefectural assembly, followed by the SDP with 23, Komeito with 18, the Japan Communist party with 11, and three independents.

"Politics may be different, but the need to maintain contacts in Tokyo is as crucial as ever. The region is dependent on central government in Tokyo for cash to fund its ambitious projects, such as a badly needed extension to Kansai airport - short of capacity before it even opens - and Kansai Science City.

Traditionally, local politicians have relied on three clear lines of influence to defend their interests in central government: members of parliament; the LDP's sectoral lobby groups, known as zoku; and direct approaches to the government ministries concerned with particular issues. The weakening of the LDP and its formerly powerful zoku, due to its 11-month spell in opposition until returning to power at the end of June, means that local politicians will increasingly rely on direct lobbying to the government bureaucracy.

"It is a very slow system. It took us 10 years of lobbying to complete one runway for the new airport, and now we need another one. Over the past year, we have had a very hard time trying to get the budget for this. First the governor had to approach the Hosokawa

cabinet, then a few months later there was the Hata cabinet, and now we are back in power," says the LDP's Mr Matsui.

The LDP, SDP, JRP and Komeito see eye to eye on the most important regional policies, to continue promoting Kansai's big public works projects, to lobby for greater budget independence from central government, and to channel more financial support to the small businesses that make up the backbone of the regional economy.

In Kyoto, the main item on governor Aramaki's big-ticket shopping list is a new government guesthouse in the grounds of the city's former imperial palace. He thinks it is high time the Japanese government lodged visiting dignitaries in a traditional Japanese-style house, rather than the present miniature of Versailles in central Tokyo. If Mr Aramaki gets his wish, which hangs on a central government decision due in the next few months, he hopes to persuade the government to hold the Group of Seven



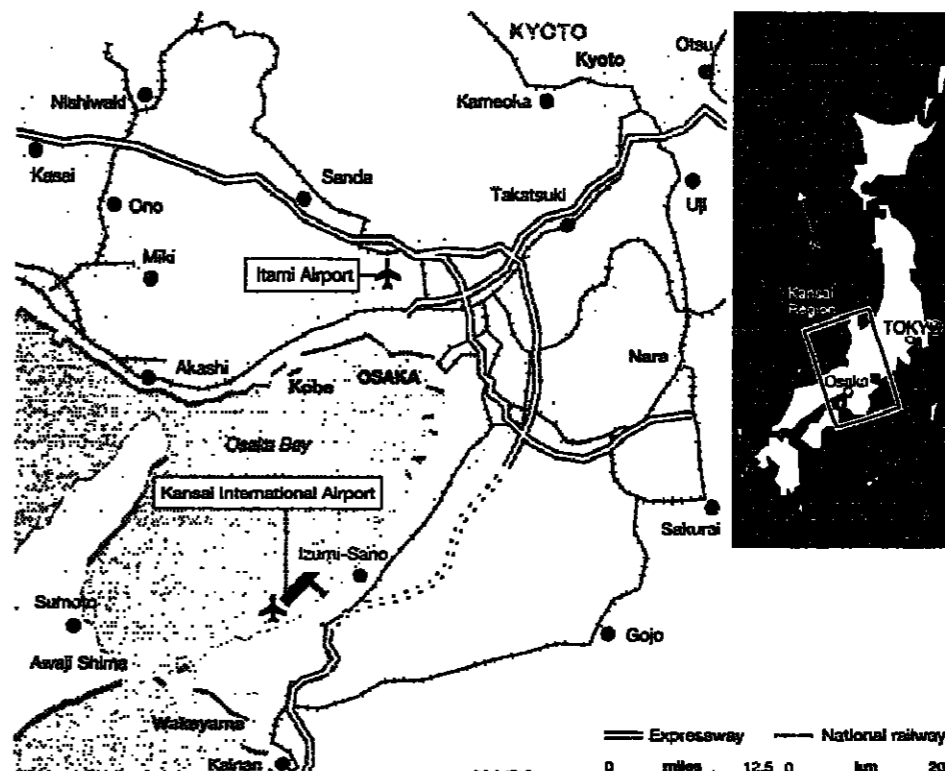
Mr Teichi Aramaki is in his eighth year as governor of Kyoto

annual summit in Kyoto, when it is Japan's next turn to host the G7 in 2000.

One of the most pressing concerns for the JRP's Mr Ishii is to give greater control over fiscal policy to the prefectures. "At the moment, two thirds of the region's taxes go to central government, yet two thirds of regional spending is made by local government. That means

one third of tax revenues have to be transferred from central to local government. We need direct local taxation," he says.

That, argues Mr Ishii, will be the key to transferring more power from central government to the regions. This has been a subject of much political debate and little concrete progress for the past decade, briefly relaunched by



Mr Morihiro Hosokawa's reform-minded government last year.

"Transferring more power to local government is a very slow business, because we are still rooted in the strong central government traditions of the Meiji era," says Mr Ishii, referring to the birth of modern Japan in the late 19th century. Mr Nishikawa, of

Osaka's socialist group, believes central government is becoming more sensitive to demands for decentralisation.

At the LDP, Mr Matsui says his most important policy issue is to expand the volume of low-interest loans for small businesses, to help them survive the impact of the yen's rise. Here he is hoping to expand support for local trust

banks and farmers' co-operatives, which, unlike other banks, are controlled by the prefecture rather than the ministry of finance in Tokyo.

Mr Matsui argues: "The yen's rise companies all the way down the line, but the smallest ones at the end of the chain of subcontractors are the most vulnerable. We must do what we can."

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Small companies look increasingly to Asia

Continued from facing page

imports to Japan have been raw materials or agricultural and seafood products - logs from Asia's dwindling tropical forests can be seen floating in the big lumber pools at Osaka's port - but they now include electronic goods and vehicle components made by Japanese factories in south-east Asia.

"We still serve as the gateway for south-east Asian products, and also we've made large-scale investments in practically all countries in Asia," says Mr Michio Sugimoto, managing director of the Osaka chamber of commerce and industry. In the lobby of the chamber's building, a digital sign keeps track of the rise of the yen against the dollar, an obsession for Japanese companies which are finding it harder and harder to compete in international markets.

"Lots of small companies in Osaka are now thinking of investing in Asia, including

Kobe and Osaka handle some 40 per cent of Japan's growing trade with China, where there is a market of 1.2bn people

China and Vietnam," says Mr Kazuo Ishii, director general of the Japan External Trade Organisation's Osaka branch.

The potential of China's domestic market of 1.2bn people and the size of its labour force have attracted intense interest - and investments - from local businesses; the ports of Kobe and Osaka handle some 40 per cent of Japan's growing trade with China. "One of our staff in Osaka who came from Beijing is now very busy giving lectures on China," says Mr Ishii.

Kansai's reputation as a centre of commerce is enhanced by the large number of foreigners living in the region. They include half of Japan's 700,000 Koreans (who provide links to both South and North Korea), Indians based in Kobe (who trade with Africa and the Indian subcontinent), and Chinese residents.



Mr Tetsuro Kawakami: "This area has strong traditional ties with east Asia"

Both the Osaka Foreign Trade Association and the Kansai Economic Federation (Kankeiren) are seeking to strengthen their links with the overseas Chinese, who dominate commerce and distribution throughout much of Asia.

Japanese government organisations, along with local authorities and businesses in Kansai, have also promoted several big projects to improve Kansai's standing as an Asian and international commercial centre.

These include the new airport, whose 24-hour operation will be particularly useful for regional air freight services used for everything from seafood and cut flowers to microchips, and the Asia and Pacific Trade Centre (ATC) opened in Osaka in April.

One of the ATC's principal aims is to promote imports from Asia, to deflect criticism of Japan's trade surpluses and the difficulty of selling goods in the Japanese market.

"We'd like to energise transport links between Japan and the rest of the world, and traditionally this area has strong ties with east Asia," says Mr Tetsuro Kawakami, chairman of Kankeiren and of Sumitomo Electric Industries.

In the future increasingly high-level technology will be transferred from Japan to other countries in Asia, he believes. "We can't survive without our east Asian partners," says Mr Kawakami. "We have to divide our work with them."

Victor Mallet



In Perfect Balance

According to the ancient Chinese philosophy of yin and yang, the universe is composed of opposing but interdependent forces. ■ Interestingly, this philosophy resembles the concept of homeostasis, the natural balance that occurs within living organisms, including the harmony between antagonists and agonists that regulate vital functions. Thus, an important factor in the search for new medicines is the development of compounds that work together with the body's own restorative and regenerative abilities. ■ To lead healthy lives, we must seek balance with nature, with society, and within ourselves. Through pharmaceutical research, we are striving to help people attain this balance.

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Michio Nakamoto assesses the impact of the new airport

Progress without vision

"On a clear day you should be able to see Awaji Island across the water," the driver says, as he steers his taxi down the eye-catching, double-layered bridge that spans the stretch of sea between the mainland and Kansai International Airport (KIA).

"Unfortunately, there's usually a mist over the water, and it's hardly ever possible to see the island," he adds apologetically.

Kansai's striking new international airport may have many things in its favour, but clarity of vision is not one of its strengths, whether in the surrounding atmosphere or in its ambitious plans to become Japan's preferred hub for international travel.

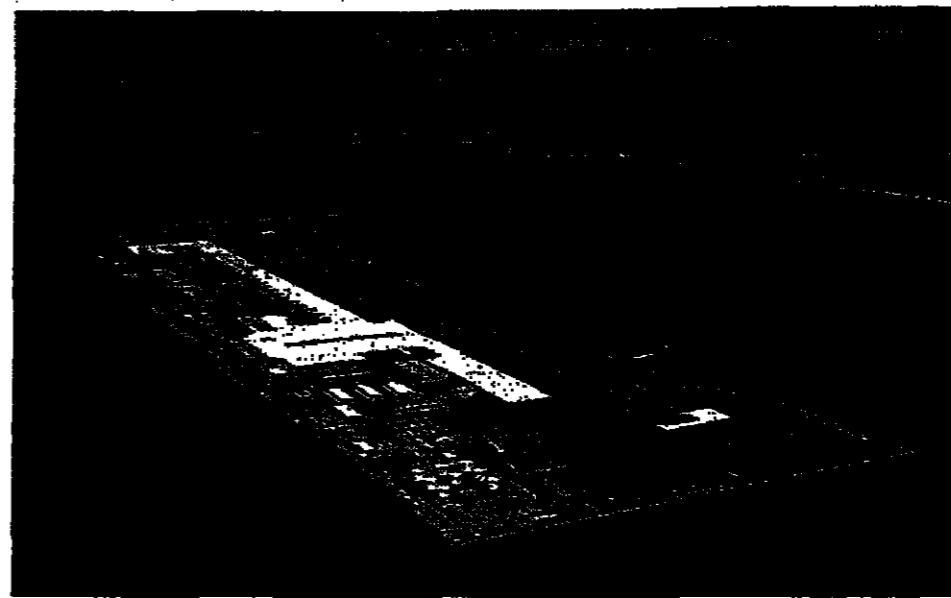
Seven years after construction work started, the airport, built on reclaimed land about 4 kilometres off the shore of Osaka, opens 18 months late this Sunday with less than half the expected number of flights, a sinking foundation and uncertainty surrounding expansion plans that are crucial if the airport is to become the gateway to the world that it hopes to be.

KIA's stumbling start throws into relief the lofty ambitions that inspired its private and public owners to embark on the costly and daunting task of building the world's first off-shore airport.

The development that has been publicised as Japan's first 24-hour airport was conceived as the much-needed public project to transform its host city, Osaka, from an urban sprawl on the eastern edge of Asia to a shining metropolis. The opening of Kansai's doors to greater international traffic, it was believed, would place the region firmly on the map of every globe-trotting policymaker and businessman, and do wonders to the regional economy.

It may still happen. But even before its opening, the image of Kansai has been hurt, rather than helped, by the airport and its myriad woes which have overshadowed the positive aspects of the airport, such as the striking terminal building designed by Italian architect Renzo Piano, or the convenience it offers by servicing both domestic and international flights.

To many people, KIA is known as the sinking airport. The first ever to be built on a man-made island, it ran up costs far exceeding initial estimates, largely because the land on which it is built sank more than was expected and had to be repeatedly fortified.



The airport, built on reclaimed land 4 kilometres off the shore of Osaka, opens 18 months late this Sunday

When experts gave opinions as to how much the island would sink, the airport authorities

left the airport saddled with over ¥1,000bn in debt. Interest payments alone amount to ¥100m a day, and the airport is expected to suffer a loss of ¥55bn in its first year.

"We have to explore whether we will have to redraw our long-term plan or whether there is a way to avoid doing so," concedes Mr Ogawa.

KIAC had planned to make a profit in five years, and to complete loan repayments and start paying dividends in 23

years. But now the company expects to have to delay repayment of loans.

In order to minimise the damage, KIAC was initially forced to set landing fees at a rate surpassing those at Narita, Tokyo's international airport which until this month enjoyed the notoriety of being the world's most expensive one.

The move backfired, however, and KIAC found itself unable to attract as many flights as it had been hoped, because increasingly cost-conscious airlines balked at having to pay ¥995,000 each time

they landed. Airport officials were locked in negotiations until the last minute with the International Air Transport Association (IATA), which found KIAC's fees unacceptable.

"We are a private company, and we must collect fees that cover our costs, otherwise we cannot exist," Mr Ogawa protests. KIA's landing fees are only 10 per cent higher than those at Narita, an amount that airlines can easily recoup by signing up a few extra customers, he says.

In the end, just weeks before the airport was scheduled to open, the KIAC agreed to lower its fees to match those charged at Narita. But the move hardly bodes well for KIA's efforts to earn as much as it can in fees towards the construction of two more runways.

Without that increased capacity, KIA will not be able to realise its true potential as an Asian hub. Having got over one hurdle, in setting initial landing fees, the airport operators now face another, even more contentious battle over how much of the estimated expansion cost of about ¥1,000bn is to be shouldered by the national and local govern-

Continued on facing page

The image of Kansai has been hurt, rather than helped, by the airport and the myriad woes that have overshadowed the project's positive aspects

ities, with characteristic Kansai optimism, took the lower end of their estimates.

"While construction work was going on, it emerged that the worst scenario was in fact the most accurate," explains Mr Zenjirō Ogawa, managing director and vice-president of Kansai International Airport Company (KIAC), the airport's operators. The island will sink about one more metre, but this is in line with expectations, he says reassuringly.

The result of the initial miscalculation, however, is that costs have surged from ¥1,000bn (\$10m) to ¥1,500bn,

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KIA may encourage relocation

Continued from facing page

ments, the local business community and the airport itself.

Nevertheless, KIA and the airport's loyal supporters in Kansai remain optimistic about its long-term prospects.

Mr Takaharu Akiyama, general manager of the Kansai economy research department at Daiwa Research Institute, is one who believes strongly that the international airport will help revitalise the regional economy. Osaka International airport, which had served the region's international needs, is already up to capacity and has no room for expansion. The opening of KIA will encourage new companies to locate in the Kansai region, and make it easier to hold international conferences here, Mr Akiyama points out. "Osaka then offers an alternative to Tokyo."

The expected increase in cargo traffic will also help the regional economy. As much as 95 per cent of air cargo in Japan is concentrated at Narita, the world's largest handler of air cargo. Since a large proportion of this is delivered to the Kansai area, KIA, which has the capacity to handle 1.4m tonnes of cargo a year, is expected to take much of the burden off Narita.

The new airport is also expected to stimulate more business with Asia. KIA offers direct flights to Asian countries not represented at Narita, including Nepal, Vietnam and Mongolia.

Assuming that KIA signs up 397 international flights and 441 domestic flights a week, the research institute expects the extra economic activity generated by the airport to add 1.56 per cent to the gross regional product.

There is a shortage of airport facilities in Japan, Mr Ogawa points out. "Narita is full, so the fact is that Japan needs another international airport."

Compared with Narita, which is far from Tokyo's domestic airport, KIA, which serves both international and domestic flights, offers the convenience of easy transit to and from principal cities throughout Japan and the world.



The presence of such large manufacturing companies as Matsushita has supported an enormous network of suppliers

Osaka's small businesses are under pressure

Feeling the price-squeeze

The hidden strength of Osaka's economy, its army of subcontractors, is coming under unprecedented pressure.

The presence of some of Japan's largest manufacturing companies in the prefecture, like Matsushita and Sharp, has supported an enormous network of suppliers, so that small businesses make up a larger than average share of Osaka's economy.

More than 90 per cent of the local workforce is employed in companies of less than 300 staff. They produce 65.5 per cent of the region's industrial turnover, well above the 54.2 per cent for small businesses in the Tokyo region, according to the Osaka prefectural institute for advanced industry development.

As in the rest of Japan, the leading manufacturers have squeezed their suppliers' prices hard during the recession, as part of their cost-cutting strategies. This has been intense enough to drive some of the weaker suppliers out of business. At the start of Japan's recession in 1991, bankruptcies in Osaka grew faster than the number of new businesses for the first time. The sad trend has continued, says Mr Moriaki Tsuda, director of industrial research at Osaka prefecture. A tour of local

subcontractors suggests that prices are still under pressure, despite signs of an economic upturn, as the latest rise in the yen's value intensifies the pressure on export-dependent businesses to trim their costs. Suppliers of the big electronics companies are an example, says Mr Tsuda.

The big manufacturers are understandably reluctant to push too many of their suppliers too hard, partly

The rising yen has intensified the pressure on export-dependent businesses to trim costs

because of traditional loyalties, but also because Osaka, like the rest of Japan, faces a labour shortage over the long term.

A classic example of pressures on Osaka's subcontractors is Takizawa Precision Gear, a tiny producer of machine gears, which has determinedly kept on its 14 staff throughout the recession.

Mr Kiyoshi Takizawa, its president, whose father founded the business in 1950, devotes 40 per cent of annual sales to his top three customers. The exposure is big enough to make it impossible

for the company to resist their demands for price cuts of between 5 per cent and 15 per cent every year for the past four years.

Sales have shrunk from ¥300m to ¥200m over the same period, perilously close to Takizawa's ¥180m break-even point. Instead of sacking his tiny workforce, Mr Takizawa has increased spending on training, borrowed ¥50m to re-equip with Swiss machine tools and carried out an engineering cost analysis. He took on two new employees last April, because he says the business will lose its edge if he does not regenerate the workforce.

Mr Takizawa's strategy of investing through a recession was typical of Japanese industry in the 1980s, but has been widely abandoned by most of its largest customers in the recent downturn. He justifies sticking to the old invest-or-die approach on the grounds that Takizawa has few foreign competitors, operating with the advantage of cheaper local currencies. This allows him to market more on quality than on price. But Mr Takizawa admits that "there is nothing we can do" if the Japanese market continues to shrink.

William Dawkins

Pharmaceuticals in crisis

Consolidation is the likely cure

Along the narrow bicycle-lined street of Doshomachi, in the Chuo-ku district of Osaka, are located some of Japan's biggest drugs companies. By western standards, the headquarters are modest, lacking in ostentation. That is partly Japanese corporate style, but more significantly it reflects the failure of these companies, and their Tokyo counterparts, to compete on a global basis.

Japanese drugs groups' sales growth is slowing; pre-tax profits for many companies are forecast to decline; and their strength by comparison with their western counterparts continues to deteriorate.

The industry needs to restructure. Companies do not have sufficient sales to finance the R&D essential to ensure long-term survival.

When the industry does eventually rationalise, the process will probably involve a consolidation of drugs companies into larger groups, with those in Tokyo merging with their local counterparts, and those Osaka-based businesses in Kansai linking up with their neighbours.

Those located in Osaka include Takeda, Shionogi and Fujisawa. These are among the largest drugs groups in Japan. Indeed, Takeda is Japan's largest pharmaceuticals manufacturer. Yet in world terms, the Osaka-based companies - as well as the Tokyo-based groups - are pharmaceutical pygmies. Only Takeda, is rated in the world top 20 drugs groups by sales, and only four Japanese pharmaceuticals companies are in the top 30.

The reason is their failure to internationalise. In spite of some small-scale and mostly disastrous overseas acquisitions, and occasional investment in US and European development activities, the Japanese remain dependent on their domestic market. Only four groups generate more 10 per cent of their sales overseas.

Dependency on domestic sales has been all the more debilitating because of the dire state of the Japanese market. The government, cash-strapped by falling tax receipts during

the recession and appalled by demographic trends that indicate nearly a quarter of the population will be over 65 by the year 2025, has attempted to cut health-spending by attacking the drugs bill. These efforts have included demand-side controls, as well as price cuts.

The combined consequences of the groups' lack of scale and the bleak price cuts are immense. It means that Japanese spend less than their western counterparts on R&D, and what they do spend is often misdirected. Admittedly, the industry spends a respectable proportion of sales on R&D; but because the groups' sales base is so small, the actual amounts available remain pitiful compared with western organisations.

These meagre amounts might possibly be enough to assure survival, if they were spent appropriately. But much R&D investment is misdirected. Kunio Takeda, president of Takeda Chemical, explains that in order to counter the price cuts, "Manufacturers resorted to launching modified (non-innovative) compounds to conserve development costs and time. Such policies are likely to damage the industry."

This led to a massive rise in the number of new chemical entities developed in Japan in recent years. The increase was mistaken by some observers as an explosion in innovative research. Between 1975 and 1989, Japanese companies launched 212 new chemical entities. Few of these were innovative enough to be used overseas.

Given the Osaka-based groups' proximity to each other, consolidation would, in theory, not be too arduous. Mergers tend to occur in Japan only when companies are in crisis. Admittedly, no Japanese drugs group is losing money, but the crisis assailing them is no less real. Drugs companies' directors must swallow their pride, consolidate their industry, refocus R&D, and internationalise. The alternative is permanent marginalisation.

Paul Abrahams

Conserving a culture

No business like funny business

Few Japanese people would consider a sense of humour to be a national characteristic. But in Kansai, cracking jokes is a way of life.

"When they are late for an appointment, Osaka folk will often greet their companion with a joke instead of apologising for their tardiness," observes Mr Kenji Miyashita, editor of the Kansai edition of FIA, a popular weekly magazine on city trends and events.

This instinctive humour has given rise to a strain of comedy that is distinctly Kansai, and which is exemplified in Yoshimoto Kogyo, one of the most successful entertainment companies in Japan. Amid one of the country's gloomiest post-war periods, Yoshimoto has been doing a roaring trade selling Kansai laughter. The company owns three theatres in Osaka, and earlier this year opened another in the classy Ginza district of Tokyo.

Yoshimoto's influence and the appeal of Kansai humour have been such that, to many Japanese people, comedy fails unless it is performed in the Kansai dialect.

"It is not surprising that Yoshimoto has been such a success," says Mr Tatsuya Terasawa, a civil servant living in Tokyo, who comes from Osaka. "Everyone in Osaka is like a Yoshimoto comedian. It is no wonder that the better among them should be considered especially good anywhere else."

The cult, according to those who have lived there, begins early in life for Kansai folk. Unlike Tokyo, where schoolboys aspire to achieve high marks or win sports medals, popularity in the Osaka classroom depends less on intelligence or athleticism than on how funny you are.

The propensity of Kansai people to look for the funny side of things stems from a merchant culture which fostered the knack of spotting the unadorned truth beneath the respectable show that most people, especially Tokyoites, tend to put on.

"Kansai humour stems from the gap between *tatemae*, or human behaviour that follows

the social rules, and *honne*, or their true thoughts and feelings," explains Mr Masashi Noyama, manager of corporate information at Yoshimoto Kogyo.

There is also a happy-go-lucky attitude among Osaka people that contrasts sharply with the seriousness with which Japanese society takes most things in life, and adds to Kansai humour.

For example, if a cheque bounces, the Osaka businessman might call his lawyer and say, "something terrible has happened," as if it had happened to someone else, points out Mr Noyama. The contrast between the seriousness of the event and the easy-going attitude is what makes the situation funny, he explains.

Yet, while Kansai humour is today widely appreciated throughout Japan, Mr Noyama and others worry that the distinctiveness of the region's culture is being lost behind the uniformity of an increasingly influential mass media.

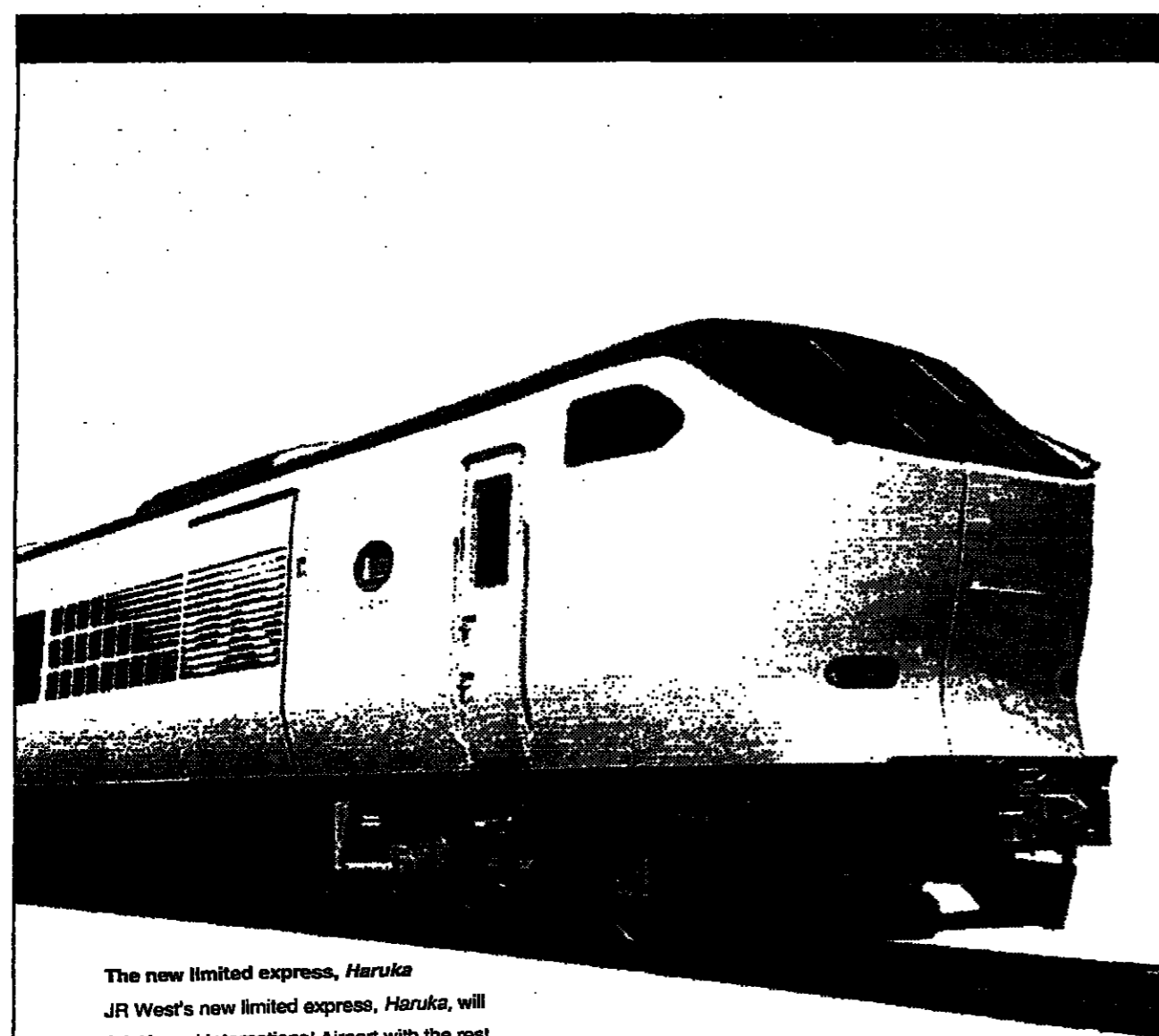
Like many other things which originated in the Kansai region, local musicians, designers and performers tend to move to Tokyo once they become successful, observes Mr Miyashita, at FIA. There used to be an Osaka blues and soul culture in the 1970s, but that has more or less disappeared; while Kansai theatre performers, including comedians, move to Tokyo in order to go into television.

Concern that Kansai is being drained of talent has prompted the Osaka city government to encourage theatre companies to use public facilities for performances.

The Osaka chamber of commerce aims to encourage the study of Osaka as a city by promoting plays that use it as a setting, gift ideas that improve the city's image, and music compact discs by, for example, the Osaka Philharmonic Orchestra.

Others, such as Mr Noyama, hope that, with the spread of the information superhighway, talented performers will no longer have to move to Tokyo.

Michio Nakamoto



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KANSAI VI

Kyoto is 1,200 years old, yet celebrations are muted

Developers at bay

Kyoto, Japan's historical and cultural capital, began the year of celebrations commemorating the founding of the city 1,200 years ago, with fireworks and high-tech laser-beam shows.

But the birthday party has yet to pick up, because the occasion falls at a time when the city is still suffering the effects of the burst of the asset "bubble" of the late 1980s and the economic downturn that has followed.

The dramatic rise in property prices and the subsequent fall has hit the city's development activity. During the late 1980s, the increase in development in a city surrounded on three sides by mountains, so that available land is limited, sent real estate prices surging.

Land and condominium prices tripled between 1987 and the peak in 1991, far exceeding the increases in larger cities such as Tokyo and Osaka. But as interest rates have risen and speculative activity has diminished, prices have declined more sharply than in other large cities, falling by half in the past two years.

The strong yen has also hurt Kyoto's export-oriented companies. Earnings have plunged at manufacturers such as Nintendo, the video-game maker, and at high-technology companies Kyocera and Shimadzu.

The economic slump has depressed anniversary festivities, as organisers have failed to collect the full ¥30bn (\$300m) needed for the planned

events from local government and companies.

Yet the economic downturn and the fall in development projects has come as a relief to many conservationists. They claim that enough damage has been done to the city, and that further development would only harm Kyoto. The city of temples and gardens remains the spiritual home for many Japanese, although traditional wooden houses in the centre have been replaced by investment houses and offices, and temples and shrines share the skyline with condominiums and department stores.

"The Japanese are trying to ruin even what the Americans [in the war] chose to preserve," says Mr Chikou Kiyotaki, high priest of Koryuji Temple, the city's oldest.

Many Buddhist temples have been hardened by their experience during the late 1980s, and are relieved at the current economic downturn. In 1990, Kiyomizu Temple, the most visited in Kyoto at the foot of the eastern hills, was forced to buy adjacent land to fend off developers trying to construct a condominium.

Along with the Buddhist community, conservationist citizens groups have tried to stop developments. Mr Akira



Kiyomizu Temple bought land, to fend off developers

Photo: Mike Black

Nakajima, leader of a citizens group against the development of Kyoto, argues that the "holing out" of the city stems from the rise in property prices, due to the bubble and not the lack of development.

On the other hand, many of Kyoto's leading businessmen believe a remedy for the faltering economy is a loosening of development restrictions. They claim that excessive conservation, aimed at preserving the city's skyline and its image as Japan's ancient capital, is restraining Kyoto's vitality.

Some of the businessmen

who favour further development go so far as to claim that the city - which was spared US bombing after American academics had persuaded the airforce not to attack Kyoto and destroy its temples and shrines during the war - would have prospered had it suffered as Tokyo did, and therefore been freed from construction restrictions.

"Kyoto is a dead city," says Mr Katsuji Tsunoda, at the Real Estate Research Institute, a private agency that monitors property markets.

Members of the development

camp blame a recent population drain on building restrictions that have obliged residents to sell their cramped homes and move outside the city. Universities have also left Kyoto, because of rigid height restrictions.

City officials, also disturbed by the fall in economic activity, have not missed the opportunity to use the 1200th anniversary to request funds from central government and to change stringent rules covering development projects. They recently announced a compromise plan, tightening building rules around historic sites, but easing height restrictions in the southern industrial areas.

Following the rule changes, rebuilding has begun at Kyoto railway station, located in the south of the city, to include a concrete and glass monument, 400 metres wide and 50m high, in commemoration of the anniversary.

The business community hopes the project will help to revitalise the regional economy. They hope the building, which will house a large shopping centre complex and a hotel, will bring young consumers of the Kansai area to Kyoto; while an express railway line, linking the new Kansai airport to Kyoto, which does not have a city airport, will give visitors and cargo easier access.

Many conservationists, however, fear that economic recovery will mean more development and further urbanisation.

Emiko Terazono

William Dawkins offers suggestions to tourists

Imperial and tranquil

The chances are that most foreign tourists in Kansai will be business travellers, and will therefore need to be selective.

The yen's inexorable rise makes a Japanese holiday prohibitively expensive for most foreign travellers, and for an increasing number of Japanese tourists too. For business tourists, inevitably short of time, the secret of getting the most out of Kansai is not to try to see too much at once.

The most popular tourist spot in the region - and in the whole of provincial Japan, for that matter - is of course the former imperial capital, Kyoto, blessed with more than 1,000 Buddhist temples and 400 Shinto shrines.

It received just over 35m visitors last year - 25 times its own population - of which less than 1.5 per cent were foreigners, mainly from North America, South Korea and Taiwan. According to the city's tourist office, the recession has ensured that numbers overall are down by about 15 per cent this year, despite the multiple series of festivals, concerts and exhibitions laid on for Kyoto's 1,200th anniversary.

Mr Teichu Azumaki, governor of Kyoto prefecture, is using the anniversary as an excuse to lean on central gov-

ernment for cash and planning permission to modernise the city's infrastructure. "We were lucky not to have been bombed in the war, but this means we have to revitalise earlier than many other cities. Kyoto today is trying to regain its vitality," he says.

Not that Kyoto lacks vitality in its present condition. Crowds can be expected at most of the main sites, in and out of season. For most visitors, the first port of call is the Kiyomizu Temple, perched on massive wooden pillars on a hillside, commanding a splendid view of the city.

The next essential is the golden pavilion, a modern replica of the five-century old original, burned down in 1950. Nearby is Ryoanji temple, with its Zen Buddhist rock-and-gravel garden, which most foreigners and not a few Japanese find an aesthetic puzzle.

If you have any energy left, visit Nijo castle, former residence of the all-powerful Tokugawa Shoguns, who held Japan under despotic rule for two and a half centuries, while puppet emperors lived in splendid confinement just down the road. The Shoguns, never sure from where the next traitor would spring, installed at Nijo what must be one of the world's earliest burglar alarms, floorboards designed to betray intruders by squeaking at every step.

The real pleasure in visiting Kyoto, however, is being able to find your way off the beaten track. It would be a waste of an opportunity to stay in one of the many bland western-style hotels in the city centre, one of which recently annoyed the local monks by flouting a little-observed planning regulation against new buildings more than 40 metres tall.

For visitors who want a flavour of traditional Japan, I recommend one of the old-style tatami room inns in the Higashiyama hills on the outskirts of Kyoto. The best of them have an atmosphere of courtly tranquillity. This is true of Yachiyo, where I stayed, and which also happens to be three minutes' walk from the delightful Nanzenji temple.

If you are lucky enough to have a second day's sight-

seeing, I suggest a visit to Nara, a short train ride from Kyoto. This was Japan's first imperial capital, before the emperor switched to Kyoto 1,200 years ago after a row with Nara's Buddhist monks. Parkland, stocked with hundreds of tame red deer, occupies about half of central Nara. Most of the main sites are situated in pleasant shady glades, from which traffic is banned. Some people - I am one of them - prefer green uncrowded Nara to Kyoto's urban bustle.

It was here that Buddhism first flourished in Japan after being imported from China, from the sixth century. Fortunately Buddhism's most splendid early Japanese traces are still intact, and they are all here.

The grandest of these is the eighth century Great Image of Buddha, said to be one of the largest bronze sculptures in the world. It is housed in the Todaiji Temple, claimed to be the world's largest wooden building, even after being burned down and rebuilt, at two-thirds of its original size, in the late 17th century. Most of Japan's ancient buildings are made of wood, so the fate of Todaiji temple, and Kyoto's golden pavilion is all too common.

Turn left out of Todaiji's main entrance, and wander up stone steps into the wooded hills, which conceal a whole complex of lesser-known temples, repositories for some of Japan's finest religious art. I recommend two for special attention. The Nigatsu-do Hall, reached by a covered stairway, offers a magnificent view of Todaiji's monumental roof. Next to it is the Sangatsu-do Hall, which contains a remarkable collection of early Chinese sculptures of Buddhist deities. They are poorly lit, so take time to let your eyes get used to the gloom.

For accommodation, I can suggest Nara Ebisu, a half-timbered 19th century-style edifice, habitually used by members of the Japanese imperial family when they revisit their ancestral roots. It is a short walk from there to the temples. Yachiyo Inn, Kyoto (tel 075 771 4143; Nara Hotel, Nara (tel 0742 26 3200).



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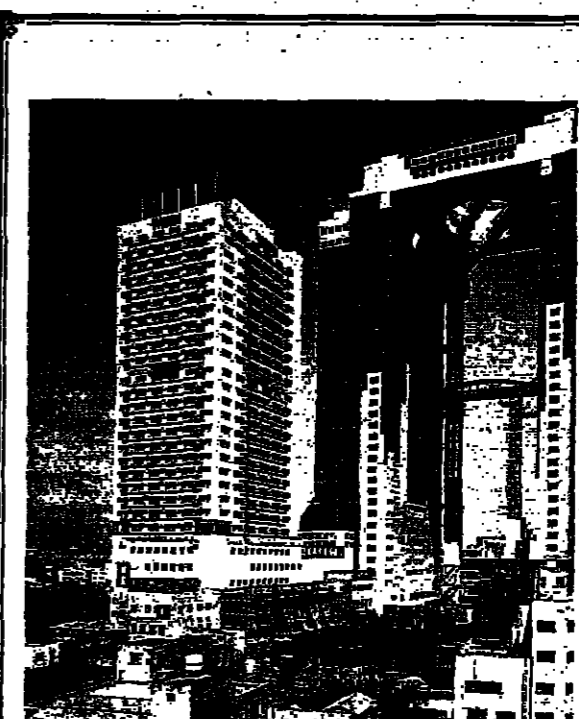
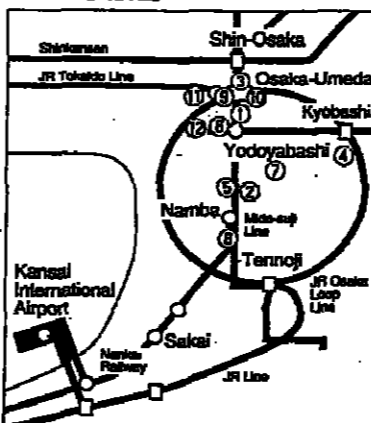
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